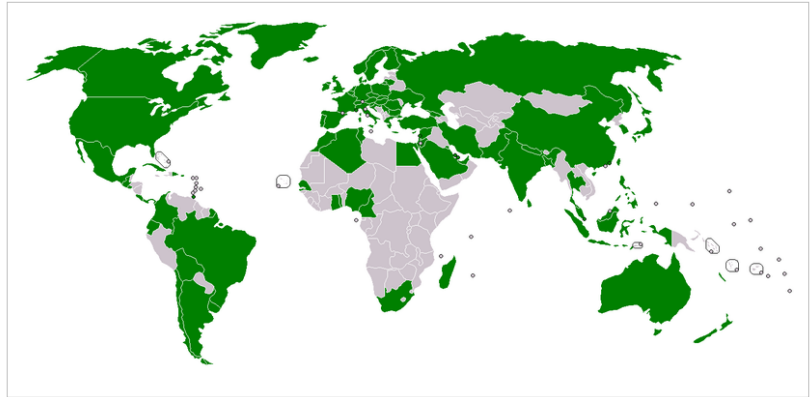


Incoterm

Incoterms or **International Commercial terms** are a series of international sales terms, published by International Chamber of Commerce (ICC) and widely used in international commercial transactions. These are accepted by governments, legal authorities and practitioners worldwide for the interpretation of most commonly used terms in international trade. This reduces or removes



altogether uncertainties arising from different interpretation of such terms in different countries. Scope of this is limited to matters relating to rights and obligations of the parties to the contract of sale with respect to the delivery of goods sold. They are used to divide transaction costs and responsibilities between buyer and seller and reflect state-of-the-art transportation practices. They closely correspond to the U.N. Convention on Contracts for the International Sale of Goods. The first version was introduced in 1936 and the present dates from 2000.

As of January 1, 2011 the eighth edition, Incoterms 2010,^{[1] [2]} have effect. The changes therein affect all of the five terms previously listed in section D, which are now obsoleted and replaced with these three: **DAT** (Delivered at Terminal), **DAP** (Delivered at Place), and **DDP** (Delivered Duty Paid). The new terms apply to all modes of transport.

Group E – Departure

EXW – Ex Works (named place)

The seller makes the goods available at his premises. The buyer is responsible for all charges.

This trade term places the greatest responsibility on the buyer and minimum obligations on the seller. The Ex Works term is often used when making an initial quotation for the sale of goods without any costs included.

EXW means that a seller has the goods ready for collection at his premises (Works, factory, warehouse, plant) on the date agreed upon.

The buyer pays all transportation costs and also bears the risks for bringing the goods to their final destination.

Group F – Main carriage unpaid

FCA – Free Carrier (named places)

The seller hands over the goods, cleared for export, into the custody of the first carrier (named by the buyer) at the named place. This term is suitable for all modes of transport, including carriage by air, rail, road, and containerised / multi-modal sea transport. This is the correct "freight collect" term to use for sea shipments in containers, whether LCL (less than container load) or FCL (full container load).

FAS – Free Alongside Ship (named loading port)

The seller must place the goods alongside the ship at the named port. The seller must clear the goods for export. Suitable only for maritime transport only but NOT for multimodal sea transport in containers (see Incoterms 2010, ICC publication 715). This term is typically used for heavy-lift or bulk cargo.

FOB – Free on board (named loading port)

The seller must themselves load the goods on board the ship nominated by the buyer, cost and risk being divided at ship's rail. The seller must clear the goods for export. Maritime transport only but NOT for multimodal sea transport in containers (see Incoterms 2010, ICC publication 715). The buyer must instruct the seller the details of the vessel and port where the goods are to be loaded, and there is no reference to, or provision for, the use of a carrier or forwarder. It DOES NOT include Air transport. This term has been greatly misused over the last three decades ever since Incoterms 1980 explained that FCA should be used for container shipments.

Group C – Main carriage paid

CFR or CNF – Cost and Freight (named destination port)

Seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods have crossed the ship's rail. Maritime transport only and Insurance for the goods is NOT included. Insurance is at the Cost of the Buyer.

CIF – Cost, Insurance and Freight (named destination port)

Exactly the same as CFR except that the seller must in addition procure and pay for insurance for the buyer. Maritime transport only.

CPT – Carriage Paid To (named place of destination)

The general/containerised/multimodal equivalent of CFR. The seller pays for carriage to the named point of destination, but risk passes when the goods are handed over to the first carrier.

CIP – Carriage and Insurance Paid (To) (named place of destination)

The containerised transport/multimodal equivalent of CIF. Seller pays for carriage and insurance to the named destination point, but risk passes when the goods are handed over to the first carrier.

Group D – Arrival

DAF – Delivered At Frontier (Deliveplace)

This term can be used when the goods are transported by rail and road. The seller pays for transportation to the named place of delivery at the frontier. The buyer arranges for customs clearance and pays for transportation from the frontier to his factory. The passing of risk occurs at the frontier.

DES – Delivered Ex Ship (named port)

Where goods are delivered ex ship, the passing of risk does not occur until the ship has arrived at the named port of destination and the goods made available for unloading to the buyer. The seller pays the same freight and insurance costs as he would under a CIF arrangement. Unlike CFR and CIF terms, the seller has agreed to bear not just cost, but also Risk and Title up to the arrival of the vessel at the named port. Costs for unloading the goods and any duties, taxes, etc... are for the Buyer. A commonly used term in shipping bulk commodities, such as coal, grain, dry chemicals - - - and where the seller either owns or has chartered, their own vessel.

DEQ – Delivered Ex Quay (named port)

This is similar to DES, but the passing of risk does not occur until the goods have been unloaded at the port of destination.

DDU – Delivered Duty Unpaid (named destination place)

This term means that the seller delivers the goods to the buyer to the named place of destination in the contract of sale. The goods are not cleared for import or unloaded from any form of transport at the place of destination. The buyer is responsible for the costs and risks for the unloading, duty and any subsequent delivery beyond the place of destination. However, if the buyer wishes the seller to bear cost and risks

associated with the import clearance, duty, unloading and subsequent delivery beyond the place of destination, then this all needs to be explicitly agreed upon in the contract of sale.

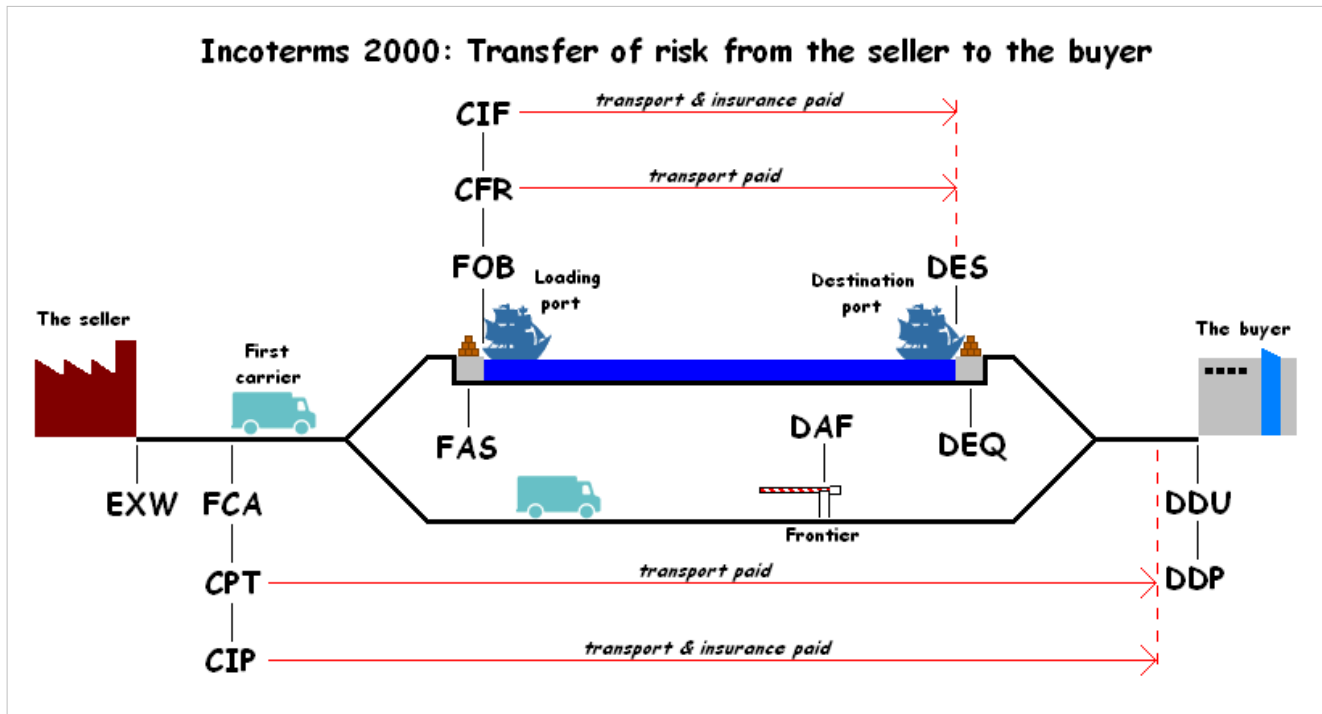
DDP – Delivered Duty Paid (named destination place)

This term means that the seller pays for all transportation costs and bears all risk until the goods have been delivered and pays the duty. Also used interchangeably with the term "Free Domicile". The most comprehensive term for the buyer. In most of the importing countries, taxes such as (but not limited to) VAT and excises should not be considered prepaid being handled as a "refundable" tax. Therefore VAT and excises usually are not representing a direct cost for the importer since they will be recovered against the sales on the local (domestic) market.

Summary of terms

NOTE: The following information refers to Incoterms 2000 and is now replaced with different information in Incoterms 2010^[3] For a given term, "**Yes**" indicates that the **seller** has the responsibility to provide the service included in the price. "**No**" indicates it is the **buyer's** responsibility. If insurance is not included in the term (for example, CFR) then insurance for transport is the responsibility of the buyer or the seller depending on who owns the cargo at time of transport. In the case of CFR terms, it would be the buyer while in the case of CIF or CIP terms, it would be the seller.

Incoterms	Load to truck	Export-duty payment	Transport to exporter's port	Unload from truck at port of origin	Landing charges at port of origin	Transport to importer's port	Landing charges at importer's port	Unload onto trucks from the importers' port	Transport to destination	Insurance	Entry - Customs clearance	Entry - Duties and Taxes
EXW	No	No	No	No	No	No	No	No	No	No	No	No
FCA	Yes	Yes	Yes	No	No	No	No	No	No	No	No	No
FAS	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No	No
FOB	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No
CFR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
CIF	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	No
CPT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
CIP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
DAF	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
DES	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No
DEQ	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
DDU	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No
DDP	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes



References

- [1] Economic Times: ICC updates Incoterms (<http://economictimes.indiatimes.com/news/international-business/ICC-updates-Incoterms/articleshow/6632863.cms>) (27 September 2010)
- [2] <http://www.iccwbo.org/incoterms>
- [3] Incoterms 2010, ICC publication 715

External links

- Incoterms 2010 Videos explaining the ICC rules for the use of domestic and international trade terms (<http://www.import-export-made-easy.com/incoterms-2010-videos.html>)
- Ince & Co : New Incoterms 2010 – a summary of the principal changes to Incoterms 2000 (<http://www.incelaw.com/documents/pdf/Strands/International-Trade/incoterms-2010.pdf>)
- Short overview of international commerce vocabulary (<http://www.smartchinasourcing.com/shipping/china-shipping-advice-import-terminology.html>)
- International Chamber of Commerce (ICC) incoterm list (<http://www.iccwbo.org/incoterms/id3040/index.html>)
- David, P. & Stewart, R. (2010). International Logistics 3rd Ed. Cengage Learning: Mason, OH, Pg 113.
- International Commercial Terms used in Export Import (http://www.comxport.com/dic/incoterms_eng.htm) Comxport Trade Data

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