



Incoterms

The **Incoterms** rules or **International Commercial terms** are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) widely used in international commercial transactions. A series of three-letter trade terms related to common sales practices, the Incoterms rules are intended primarily to clearly communicate the tasks, costs and risks associated with the transportation and delivery of goods. The Incoterms rules are accepted by governments, legal authorities and practitioners worldwide for the interpretation of most commonly used terms in international trade. They are intended to reduce or remove altogether uncertainties arising from different interpretation of the rules in different countries. First published in 1936, the Incoterms rules have been periodically updated, with the eighth version—*Incoterms 2010*—having been published on January 1, 2011.

Incoterms 2010

The eighth published set of pre-defined terms, *Incoterms 2010* defines 11 rules, reducing the 13 used in Incoterms 2000 by introducing two new rules ("Delivered at Terminal", DAT; "Delivered at Place", DAP) that replace four rules of the prior version ("Delivered at Frontier", DAF; "Delivered Ex Ship", DES; "Delivered Ex Quay", DEQ; "Delivered Duty Unpaid", DDU). In the prior version, the rules were divided into four categories, but the 11 pre-defined terms of *Incoterms 2010* are subdivided into two categories based only on method of delivery. The larger group of seven rules applies regardless of the method of transport, with the smaller group of four being applicable only to sales that solely involve transportation over water.



Rules for Any Mode(s) of Transport

The seven rules defined by *Incoterms 2010* for any mode(s) of transportation are:

EXW – Ex Works (named place of delivery)

The seller makes the goods available at its premises. This term places the maximum obligation 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. The seller doesn't load the goods on collecting vehicles and doesn't clear them for export. If the seller does load the good, he does so at buyer's risk and cost. If parties wish seller to be responsible for the loading of the goods on departure and to bear the risk and all costs of such loading, this must be made clear by adding explicit wording to this effect in the contract of sale.

FCA – Free Carrier (named place of delivery)

The seller hands over the goods, cleared for export, into the disposal of the first carrier (named by the buyer) at the named place. The seller pays for carriage to the named point of delivery, and risk passes when the goods are handed over to the first carrier.

CPT - Carriage Paid To (named place of destination)

The seller pays for carriage. Risk transfers to buyer upon handing goods over to the first carrier.

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

The containerized 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.



Rules for Any Mode(s) of Transport (Cont'd)

DAT – Delivered at Terminal (named terminal at port or place of destination)

Seller pays for carriage to the terminal, except for costs related to import clearance, and assumes all risks up to the point that the goods are unloaded at the terminal.

DAP – Delivered at Place (named place of destination)

Seller pays for carriage to the named place, except for costs related to import clearance, and assumes all risks prior to the point that the goods are ready for unloading by the buyer.

DDP – Delivered Duty Paid (named place of destination)

Seller is responsible for delivering the goods to the named place in the country of the buyer, and pays all costs in bringing the goods to the destination including import duties and taxes. This term places the maximum obligations on the seller and minimum obligations on the buyer.



Rules for Sea and Inland Waterway Transport

The four rules defined by Incoterms 2010 for international trade where transportation is entirely conducted by water are:

FAS – Free Alongside Ship (named port of shipment)

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 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 port of shipment)

The seller must load the goods on board the vessel nominated by the buyer. Cost and risk are divided when the goods are actually on board of the vessel (this rule is new!). The seller must clear the goods for export. The term is applicable for maritime and inland waterway 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 the port where the goods are to be loaded, and there is no reference to, or provision for, the use of a carrier or forwarder. This term has been greatly misused over the last three decades ever since *Incoterms 1980* explained that FCA should be used for container shipments.

CFR – Cost and Freight (named port of destination)

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 are loaded on the vessel (this rule is new!). Maritime transport only and Insurance for the goods is **NOT** included. This term is formerly known as CNF (C&F).

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

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



Duties of seller according to Incoterms 2010

| | Loading on truck (carrier) | Export-Customs declaration | Carriage to port of export | Unloading of truck in port of export | Loading charges in port of export | Carriage to port of import | Unloading charges in port of import | Loading on truck in port of import | Carriage to place of destination | Insurance | Import customs clearance | Import taxes |
|------------|----------------------------|----------------------------|----------------------------|--------------------------------------|-----------------------------------|----------------------------|-------------------------------------|------------------------------------|----------------------------------|-----------|--------------------------|--------------|
| EXW | No | No | No | No | No | No | No | No | No | No | No | No |
| FCA | Yes | Yes | No | 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 | No | No | No | No | No | No |
| CIF | Yes | Yes | Yes | Yes | Yes | Yes | No | No | No | Yes | No | No |
| DAT | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | No | No | No | No |
| DAP | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | 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 |
| DDP | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes |