INCOTERMS

What are Incoterms?

“Incoterms” are clauses, an abbreviation of the International Commercial Terms, signifying the international trade terms. Incoterms determine the rights and obligations of contracting parties regarding place, time and stage of delivery, time and place of cost and risk transition, and other constituents (payment of costs, insurance and taxes).

Why are Incoterms clauses so important?

Clauses are extremely important because they are recognised and accepted all around the world. In the international trade, they are mandatory on every commercial account because they lower the risk and possible disagreements considerably.

There are 11 Incoterms 2010 clauses, which determine the obligations of the seller and the buyer.

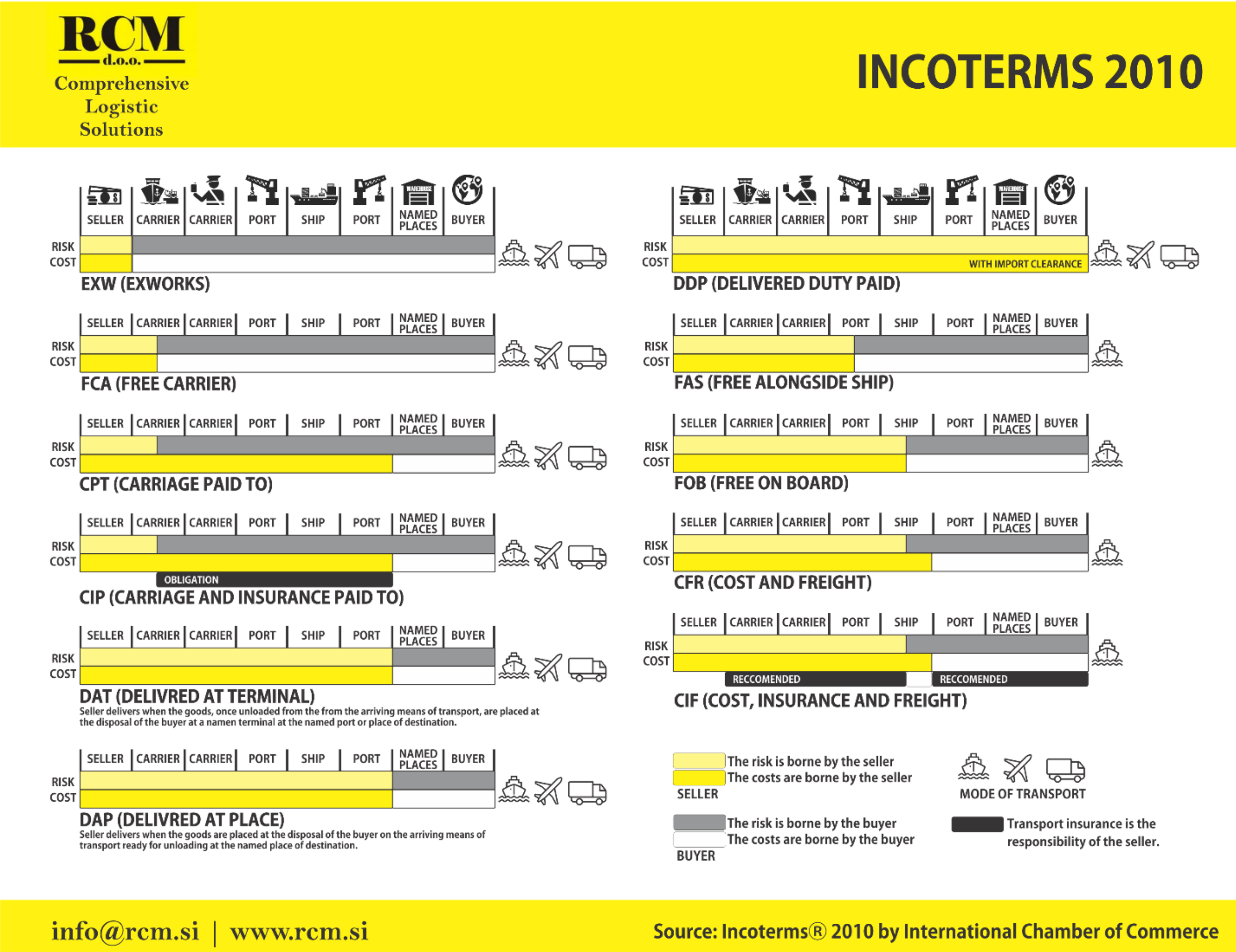
The seller’s obligations

- The seller provides the goods to the buyer at a given place and time as determined by the commercial contract for loading onto the means of transport acquired by the buyer.
- The seller informs the buyer that the goods are available.
- If the goods are not available to the buyer in the agreed timetable, all costs and the risk are borne by the seller.
- At the buyer’s request and costs, he helps him to prepare the documents issued in the purchased goods’ country of origin.

The buyer’s obligations

- The buyer claims the goods in the agreed time and place, and pays the price determined by the commercial contract.
- The moment the buyer claims the goods, all costs and the risk are borne by him.
- The buyer is liable to pay all duties and taxes.
- The buyer also pays all the costs regarding the search for necessary documents, including the expenses for certificates of the origin of the goods and other taxes.

What do INCOTERMS clauses include?



EXW – Ex Works

- The buyer succeeds almost all costs and risks. The task of the seller is to ensure that the buyer has access to the goods.
- By gaining access, the buyer assumes the responsibility and the risk (including the loading of the goods).
- The risk is transferred from the seller to the buyer: in the seller's storage, offices, or any location where the goods are claimed.

DAP – Delivered at Place

- The seller covers the costs and risk for the transport of goods to the agreed address. The goods are considered as delivered when they are at the right address and ready to be unloaded.
- Responsibilities for export and import are the same as in the DAT (Delivered at Terminal) clause.
- The risk is transferred from the seller to the buyer: when the goods are ready to be unloaded at the agreed address.

DDP – Delivered Duty Paid

- The seller assumes almost all responsibilities in the process of shipping. The seller covers all the costs and risk for the transport of goods to the agreed address. The seller also makes sure that the goods are ready to be unloaded, fulfils his export and import responsibilities, and pays all duties.
- The risk is transferred from the seller to the buyer: when the goods are ready to be unloaded at the agreed address.

CIP – Carriage and Insurance paid to

- The seller has the same responsibilities as in the CPT (Carriage Paid to) clause, the difference being that the seller also pays for the insurance of goods. The seller is liable to pay the smallest possible coverage.
- If the buyer demands insurance, this is in his domain.
- The risk is transferred from the seller to the buyer when the carrier receives the goods.

DAT – Delivered at Terminal

- The seller is responsible for the costs and risk of delivery to the agreed terminal. The terminal can be an airport, storage, a road or a port with a container terminal. The seller takes care of the customs clearance and unloads the goods at the terminal.
- The buyer takes care of the import customs clearance and connected duties.
- The risk is transferred from the seller to the buyer at the terminal.

FCA – Free Carrier

- The task of the seller is to deliver the goods to the buyer's carrier at the agreed location. The seller is also responsible to take care of the export customs clearance.
- The risk is transferred from the seller to the buyer when the carrier receives the goods.

CPT – Carriage Paid to

- The seller has the same responsibilities as in the FCA (Free Carier) clause, the difference being that the seller covers the delivery costs. In the FCA clause, the responsibility of the seller is to take care of the goods' export customs clearance.
- The risk is transferred from the seller to the buyer when the carrier receives the goods or EXW (Ex Works).

FAS – Free Alongside Ship

- As long as the goods are not delivered to the ship, all costs and risks are borne by the seller. Then the buyer succeeds the risk and takes care of the export and import customs clearance.
- The risk is transferred from the seller to the buyer: when the goods are delivered to the ship.

FOB – Free on Board

- As long as the goods are not delivered onto the ship, all costs and risks are borne by the seller. The seller also takes care of the export customs clearance. As soon as the goods are on board, the buyer assumes all the responsibilities.
- The risk is transferred from the seller to the buyer when the goods are delivered on the ship.

CFR – Cost and Freight

- The seller has the same responsibilities as in the FOB (Free on Board) clause, but must also cover the costs for delivering the goods to the port. Same as in the FOB (Free on Board) clause, the buyer assumes all the responsibilities as soon as the goods are on board.
- The risk is transferred from the seller to the buyer when the goods are on the ship.

CIF – Cost Insurance and Freight

- The seller has the same rights as in the CFR (Cost and Freight) clause, but must also cover the insurance costs. In the CIP clause, he has to pay the smallest coverage.
- If the buyer demands insurance, this is in his domain.
- The risk is transferred from the seller to the buyer when the goods are on the ship.

Are you up to date with the Incoterms clauses? Perfect. Let us do business.

RCM Team