INCOTERMS

INCOTERMS are most frequently listed by category. Below are the 13 international Incoterms adopted by the "INTERNATIONAL CHAMBER OF COMMERCE"

1) EXW - EX WORKS : Ex works means that the seller (exporter) delivers when he places the goods at the disposal of the buyer (importer) at the seller's premises or another named place (i.e. works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle.

This term thus represents the minimum obligation for the seller (exporter), and the buyer (importer) has to bear all costs and risks involved in taking the goods from the seller's premises. However, if the parties wish the seller (exporter) to be responsible for the loading of the goods on departure and to bear the risks and all the costs of such loading, this should be made clear by adding explicit wording to this effect in the contract of sale.

2) FCA - FREE CARRIER: Free Carrier means that the seller (exporter) delivers the goods, cleared for export, to the carrier nominated by the buyer (importer) at the named place. It should be noted that the chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If delivery occurs at the seller's premises, the seller (exporter) is responsible for loading. If delivery occurs at any other place, the seller (exporter) is not responsible for unloading.

This term may be used irrespective of the mode of transport, including multimodal transport.

A Carrier means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes. If the buyer (importer) nominates a person other than a carrier to receive the goods, the seller (exporter) is deemed to have fulfilled his obligation to deliver the goods when they are delivered to that person.

3) FAS - FREE ALONGSIDE SHIP: Free Alongside Ship means that the seller (exporter) delivers when the goods are placed alongside the vessel at the named port of shipment. This means that the buyer (importer) has to bear all costs and risks of loss of or damage to the goods from that moment.

The FAS term requires the seller (exporter) to clear the goods for export. However, if the parties wish the buyer (importer) to clear the goods for export, this should be made clear by adding explicit wording to this effect in the contract of sale. This term can be used only for sea or inland waterway transport.

4) FOB - FREE ON BOARD: Free on Board means that the seller (exporter) delivers when the goods pass the ship's rail at the named port of shipment. This means that the buyer (importer) has to bear all costs and risks of loss of or damage to the goods from that point.

The FOB term requires the seller (exporter) to clear the goods for export. If the parties do not intend to deliver the goods across the ship's rail, the FCA term should be used. This term can be used only for sea or inland waterway transport.

5) CFR - COST & FREIGHT: Cost and Freight means that the seller (exporter) delivers when the goods pass the ship's rail in the port of shipment. The seller (exporter) must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller (exporter) to the buyer (importer).

The CFR term requires the seller (exporter) to clear the goods for export. If the parties do not intend to deliver the goods across the ship's rail, the CPT term should be used. This term can be used only for sea and inland waterway transport.

6) CIF - COST, INSURANCE & FREIGHT: Cost, Insurance and Freight means that the seller (exporter) delivers when the goods pass the ship's rail in the port of shipment. The seller (exporter) must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller (exporter) to the buyer (importer).However, in CIF the seller (exporter) also has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage.

Consequently, the seller (exporter) contracts for insurance and pays the insurance premium. The buyer (importer) should note that under the CIF term the seller (exporter) is required to obtain insurance only on minimum cover. Should the buyer (importer) wish to have the protection of greater cover, he would either need to agree as much expressly with the seller (exporter) or to make his own extra insurance arrangements.

The CIF term requires the seller (exporter) to clear the goods for export. If the parties do not intend to deliver the goods across the ship's rail, the CIP term should be used. This term can be used only for sea and inland waterway transport.

7) CPT - CARRIAGE PAID TO: "Carriage paid to..." means that the seller (exporter) delivers the goods to the carrier nominated by him but the seller (exporter) must in addition pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer (importer) bears all risks and any other costs occurring after the goods have been so delivered.

Carrier means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport, by rail, road, air, sea, inland waterway or by a combination of such modes. If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CPT term requires the seller (exporter) to clear the goods for export. This term may be used irrespective of the mode of transport including multimodal transport

8) CIP - CARRIAGE AND INSURANCE PAID TO: "Carriage and Insurance paid to..." means that the seller (exporter) delivers the goods to the carrier nominated by him but the seller (exporter) must in addition pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer (importer) bears all risks and any additional costs occurring after the goods have been so delivered. However, in CIP the seller (exporter) also has to procure insurance against the buyer's risk of loss of or damage to the goods during the carriage.

Consequently, the seller (exporter) contracts for insurance and pays the insurance premium. The buyer (importer) should note that under the CIP term the seller (exporter) is required to obtain insurance only on minimum cover. Should the buyer (importer) wish to have the protection of greater cover, he would either need to agree as much expressly with the seller (exporter) or to make his own extra insurance arrangements.

Carrier means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport, by rail, road, air, sea, inland waterway or by a combination of such modes. If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CIP term requires the seller (exporter) to clear the goods for export. This term may be used irrespective of the mode of transport including multimodal transport.

9) DAF - DELIVERED AT FRONTIER: Delivered at Frontier means that the seller (exporter) delivers when the goods are placed at the disposal of the buyer (importer) on the arriving means of transport not unloaded, cleared for export, but not cleared for import at the named point and place at the frontier, but before the customs border of the adjoining country. The term "frontier" may be used for any frontier including that of the country of export. Therefore, it is of vital importance that the frontier in question be defined precisely by always naming the point and place in the term.

However, if the parties wish the seller (exporter) to be responsible for the unloading of the goods from the arriving means of transport and to bear the risks and costs of unloading, this should be made clear by adding explicit wording to this effect in the contract of sale. This term may be used irrespective of the mode of transport when goods are to be delivered at a land frontier. When delivery is to take place in the port of destination, on board a vessel or on the quay (wharf), the DES or DEQ terms should be used.

10) DES - DELIVERED EX-SHIP: Delivered Ex Ship means that the seller (exporter) delivers when the goods are placed at the disposal of the buyer (importer) on board the ship not cleared for import at the named port of destination. The seller (exporter) has to bear all the costs and risks involved in bringing the goods to the named port of destination before discharging.

INCOTERMS

If the parties wish the seller (exporter) to bear the costs and risks of discharging the goods, then the DEQ term should be used. This term can be used only when the goods are to be delivered by sea or inland waterway or multimodal transport on a vessel in the port of destination.

11) DEQ - DELIVERED EX-QUAY: Delivered Ex Quay means that the seller (exporter) delivers when the goods are placed at the disposal of the buyer (importer) not cleared for import on the quay (wharf) at the named port of destination. The seller (exporter) has to bear costs and risks involved in bringing the goods to the named port of destination and discharging the goods on the quay (wharf).The DEQ term requires the buyer (importer) to clear the goods for import and to pay for all formalities, duties, taxes and other charges upon import.

If the parties wish to include in the seller's obligations all or part of the costs payable upon import of the goods, this should be made clear by adding explicit wording to this effect in the contract of sale.

This term can be used only when the goods are to be delivered by sea or inland waterway or multimodal transport on discharging from a vessel onto the quay (wharf) in the port of destination. However if the parties wish to include in the seller's obligations the risks and costs of the handling of the goods from the quay to another place (warehouse, terminal, transport station, etc.) in or outside the port, the DDU or DDP terms should be used.

12) DDU - DELIVERED DUTY UNPAID: Delivered duty unpaid means that the seller (exporter) delivers the goods to the buyer (importer), not cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller (exporter) has to bear the costs and risks involved in bringing the goods thereto, other than, where applicable, any "duty" (which term includes the responsibility for and the risks of the carrying out of customs formalities, and the payment of formalities, customs duties, taxes and other charges) for import in the country of destination. Such "duty" has to be borne by the buyer (importer) as well as any costs and risks caused by his failure to clear the goods for import in time.

However, if the parties wish the seller (exporter) to carry out customs formalities and bear the costs and risks resulting therefrom as well as some of the costs payable upon import of the goods, this should be made clear by adding explicit wording to this effect in the contract of sale. This term may be used irrespective of the mode of transport but when delivery is to take place in the port of destination on board the vessel or on the quay (wharf), the DES or DEQ terms should be used.

13) DDP - DELIVERED DUTY PAID: Delivered duty paid means that the seller (exporter) delivers the goods to the buyer (importer), cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller (exporter) has to bear all the costs and risks involved in bringing the goods thereto including, where applicable (Refer to Introduction paragraph 14), any "duty" (which term includes the responsibility for and the risk of the carrying out of customs formalities and the payment of formalities, customs duties, taxes and other charges) for import in the country of destination.

Whilst the EXW term represents the minimum obligation for the seller (exporter), DDP represents the maximum obligation. This term should not be used if the seller (exporter) is unable directly or indirectly to obtain the import license.

However, if the parties wish to exclude from the seller's obligations some of the costs payable upon import of the goods (such as VAT), this should be made clear by adding explicit wording to this effect in the contract of sale.

If the parties wish the buyer (importer) to bear all risks and costs of the import, the DDU term should be used. This term may be used irrespective of the mode of transport but when delivery is to take place in the port of destination on board the vessel or on the quay (wharf), the DES or DEQ terms should be used.