

A quick-reference guide to Incoterms

TERMS FOR ANY TRANSPORT MODE

EXW - EX WORKS (...named place of delivery)

The Seller's only responsibility is to make the goods available at the Seller's premises. The Buyer bears full costs and risks of moving the goods from there to destination.

FCA - FREE CARRIER (...named place of delivery)

The Seller delivers the goods, cleared for export, to the carrier selected by the Buyer. The Seller loads the goods if the carrier pickup is at the Seller's premises. From that point, the Buyer bears the costs and risks of moving the goods to destination.

CPT - CARRIAGE PAID TO (...named place of destination)

The Seller pays for moving the goods to destination. From the time the goods are transferred to the first carrier, the Buyer bears the risks of loss or damage.

CIP - CARRIAGE AND INSURANCE PAID TO (...named place of destination)

The Seller pays for moving the goods to destination. From the time the goods are transferred to the first carrier, the Buyer bears the risks of loss or damage. The Seller, however, purchases the cargo insurance.

DAT - DELIVERED AT TERMINAL (...named terminal at port or place of destination)

The Seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the Buyer's disposal at a named terminal at the named port or place of destination. "Terminal" includes any place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal. The Seller bears all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination.

DAP - DELIVERED AT PLACE (...named place of destination)

The Seller delivers when the goods are placed at the Buyer's disposal on the arriving means of transport ready for unloading at the named place of destination. The Seller bears all risks involved in bringing the goods to the named place.

DDP - DELIVERED DUTY PAID (...named place)

The Seller delivers the goods -cleared for import - to the Buyer at destination. The Seller bears all costs and risks of moving the goods to destination, including the payment of Customs duties and taxes.

MARITIME-ONLY TERMS

FAS - FREE ALONGSIDE SHIP (...named port of shipment)

The Seller delivers the goods to the origin port. From that point, the Buyer bears all costs and risks of loss or damage.

FOB - FREE ON BOARD (...named port of shipment)

The Seller delivers the goods on board the ship and clears the goods for export. From that point, the Buyer bears all costs and risks of loss or damage.

CFR - COST AND FREIGHT (...named port of destination)

The Seller clears the goods for export and pays the costs of moving the goods to destination. The Buyer bears all risks of loss or damage.

CIF - COST INSURANCE AND FREIGHT (...named port of destination)

The Seller clears the goods for export and pays the costs of moving the goods to the port of destination. The Buyer bears all risks of loss or damage. The Seller, however, purchases the cargo insurance.

PRACTICE POINTS

• BE SPECIFIC:

If you use INCOTERMS in the Sales Contract or Purchase Order, you should identify the appropriate INCOTERM Rule [e.g. FCA, CPT, etc.], state "INCOTERMS 2010" and specify the place or port as precisely as possible.

• RECOGNIZE WHERE THE RISK OF LOSS TRANSFERS:

A common misconception when the Seller pays the freight is that the Seller has the risk of loss until the goods are delivered to the place or port specified on the bill of lading or airway bill. Actually, when using INCOTERMS CPT, CIP, CFR or CIF, risk transfers to the Buyer when the Seller hands the goods over to the carrier at origin, not when the goods reach the place or port of destination.

• UNDERSTAND WHO IS RESPONSIBLE FOR LOADING/UNLOADING CHARGES:

DAT obliges the Seller to place the goods at the Buyer's disposal after unloading at the named terminal at port or place of destination.

DAP obliges the Seller to place the goods at the Buyer's disposal on the delivering carrier ready for unloading at the named place of destination.

CPT, CIP, CFR or CIF on the other hand, require the parties to identify as precisely as possible the point at the agreed port of destination because the costs up to that point are for the account of the Seller.

• UNDERSTAND WHO IS RESPONSIBLE FOR U.S. CUSTOMS ENTRY DECLARATIONS:

DDP is the only INCOTERM where the Seller has responsibility for U.S. Customs entry declarations.

• DETERMINE THE IMPORTANCE OF SUPPLY CHAIN VISIBILITY:

When *CPT, CIP, CFR or CIF* are used the Seller fulfills its obligation to deliver when it hands the goods over to the carrier, not when the goods reach the place of destination.



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