

## INCOTERMS

*Incoterms or international commercial terms are a series of international sales terms widely used throughout the world. 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.*

*Incoterms deal with questions related to the delivery of the products from the seller to the buyer. This includes the carriage of products, export and import clearance responsibilities, who pays for what, and who has risk for the condition of the products at different locations within the transport process. Incoterms are always used with a geographical location and do not deal with transfer of title.*

They are devised and published by the International Chamber of Commerce (ICC). As of January 1, 2011 the eighth edition, Incoterms 2010 have effect. Two new Incoterms rules in Group D - DAT and DAP - have replaced DAF, DES, DEQ and DDU. So the number of Incoterms has been reduced from 13 to 11.

**Group E -  
Departure:** **EXW. Ex Works** (named place): the seller makes the goods available at his premises.

**Group F -  
Main Carriage Unpaid:** **FCA. Free Carrier** (named place): 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 containerized / multi-modal transport.

**FAS. Free Alongside Ship** (named loading port): free Alongside Ship: the seller must place the goods alongside the ship at the named port. The seller must clear the goods for export; this changed in the 2000 version of the Incoterms. Suitable for maritime transport only.

**FOB. Free On Board** (named loading port): the classic maritime trade term, Free On Board: seller must 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.

**Group C -  
Main Carriage Paid:** **CFR. 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.

**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 / containerized / 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 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.

**Group D -  
Arrival:** **DAT. Delivered at Terminal** (named terminal at destination port)

**DAP. Delivered at Place** (named destination place)

**DDP. Delivered Duty Paid** (named destination place)

### Seller's and Buyer's payment responsibility

The following chart is a general summary of obligations of the buyer and seller based on INCOTERMS 2010:

	Export-Customs declaration	Carriage to port of export	Unloading on truck in port of export	Loading charges in port of export	Carriage (Sea Freight/ Air Freight) 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	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FCA	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FAS	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
FOB	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
CFR	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer
CIF	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Buyer	Buyer
CPT	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer
CIP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer
DAT	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer
DAP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer
DDP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller

### Incoterms 2010: Transfer of Risk from the seller to the buyer

