

INCOTERMS – Extracts

These are International Commercial Terms – Contract of Sale

These are trade Terms used in international contracts of sale. They provide a clear outline in the division of costs and risks between the parties.

Refer to a current & complete guide to INCOTERMS for full explanation of the costs & risks associated with each term. Clearly specify at the time of requesting for quotations which INCOTERMS is applicable or required and **always name the port of destination.**

NOTES:

F - signifies that the seller must hand over the goods to a nominated carrier Free of risk and expense to the buyer. Seller arranges pre-carriage to reach an agreed point for handing the goods over to the carrier.

C - signifies that the seller must bear certain Costs even after the critical point for the diversion of the risk of loss of or damage to the goods has been reached.

D - signifies that the goods must arrive at stated destination.

EXW – Ex-works

- Buyer carries out all tasks of export & import clearance.
- Carriage & insurance are arranged by the buyer.

FCA – Free carrier

- The seller delivers the goods, cleared for export, to the carrier appointed by the buyer at the specific destination.
- Seller pays for carriage to the specific destination.

FAS – Free alongside ship

- Seller delivers when the goods are placed alongside the vessel at the specified port of shipment.
- The seller is required to clear the goods for export.
- The buyer has to bear all costs & risks of loss or damage to the goods from that moment.
- Terminology used for sea transport only.

FOB – Free on board

- Seller delivers when the goods pass the ship's rail at the named port of shipment.
- Buyer has to bear all costs & risks to the goods from that point.
- The seller must clear the goods for export.
- Terminology used for sea transport only. If the parties do not intend to deliver the goods across the ship's rail, the FCA term should be used.

CFR – Cost & Freight

- Seller delivers when the goods pass the ship's rail in the port of shipment.

- Seller must pay the costs & freight necessary to bring the goods to the named port of destination, BUT the risk of loss or damage, as well as any additional costs due to events occurring after the time of delivery are transferred from seller to buyer.
- Seller must clear goods for export.
- Terminology used for sea transport.

CIF – Cost, Insurance & Freight

- Seller delivers when the goods pass the ship's rail in the port of shipment.
- Seller must pay the cost & freight necessary to bring goods to named port of destination.
- Risk of loss & damage same as CFR.
- Seller also has to procure marine insurance against buyer's risk of loss/damage during the carriage.
- Seller must clear the goods for export.
- Terminology used for sea transport only.

CPT – Carriage paid to

- Seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination.
- Buyer bears all costs occurring after the goods have been so delivered. Seller must clear the goods for export.
- Terminology used irrespective of the mode of transport (including multimodal).

CIP – Carriage & Insurance paid to

This terminology is the same as CPT with the exception that:-

- Insurance against the buyer's risk of loss or damage to the goods during the carriage is provided by the seller.

This term may also be used for any mode of transportation.

DAF – Delivered at frontier

- Seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport not unloaded, cleared for export but not cleared for import, at the named point & place at the frontier – but before the customs border of the adjoining country.
- To be used when delivering to a land frontier.

DES – Delivered ex-ship

- Seller delivers when goods are placed at the disposal of the buyer on board the ship, not cleared for import at the named port of destination.
- Seller bears all costs & risks in bringing the goods to the named port before discharging.
- Terminology only used when the goods are to be delivered by sea.

DEQ – Delivered ex-quay

- Term is same as DES with the exception that the seller is responsible to place the goods at the disposal of the buyer, not

cleared for import, on the quay (wharf) at the named port of destination.

- Seller bears all costs & risks as in DES plus discharging the goods on the quay.
- Terminology only used in sea transport.

DDU – Delivered duty unpaid

- Seller delivers the goods to the buyer, not cleared for import, and not unloaded from arriving means of transport at the named place of destination.
- The seller bears all costs & risks involved in bringing the goods to the named place other than “duty” (which includes the responsibility for customs formalities & payment of those formalities, duties & taxes) for import into the country of destination.
- Buyer is responsible for payment of all customs & duties & taxes.

DDP – Delivered duty paid

- This term represents maximum obligation to the seller.
- This term should not be used if the seller is unable to directly or indirectly to obtain the import license.

The terms means the same as the DDU term with the exception that the seller also will bear all costs & risks of carrying out customs formalities including the payment of duties, taxes & customs fees.