

Incoterms

[International Commercial Terms \(Incoterms\)](#) used in international contracts of sale are widely agreed upon, pre-defined commercial terms for defining limits of risk, cost and liability for any form of international transport, detailing the roles and responsibilities of the shipper, the carrier and the receiver/consignee. Incoterms are negotiated and set by the [International Chamber of Commerce \(ICC\)](#), and are connected to various forms of international trade law and maritime time. Incoterms were established in the 1920s, and are now generally updated every ten years, with the most recent update in 2020.

Incoterms function as a short hand for all parties involved with an international shipment, and allow for different parties to quickly reference and understand where their obligations lie. The shipper in this context may be the supplier of goods, or it may be the party purchasing the goods and arranging for transport. The contracted carrier transporting the goods may only function as a broker or intermediary, but will be able to reference Incoterms when dealing with the shipper to fulfil its obligations. organisations that are planning international procurement and shipment should seek to include Incoterms in both their procurement and transportation contracts.

Incoterms cover all forms of international transport, however there are special inclusions for sea shipping only. the current reference point for shippers is Incoterms 2020, however sellers and carriers may agree on older versions of Incoterms insofar as all parties are aware of what terms they are referencing when talking about procurement and transport. A copy of the 2020 Incoterms chart can [be downloaded here](#).

Incoterms 2020 for All Forms of Transport:

A general description of all-mode Incoterms:

EXW Ex-Works	Buyer takes possession of goods at the seller's premises or at another named place (i.e., w factory, warehouse, etc.). The seller is not obligated to load the goods on any collecting ve nor does it need to clear the goods for export (where such clearance is required).
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FCA Free Carrier	Seller turns over possession of the goods to the carrier or another entity designated by th buyer at the seller's premises or another named place. The named place of transfer must l clearly identified; the risk passes to the buyer at that point.
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CPT Carriage Paid To	Seller turns over possession of the goods to the carrier or another entity designated by th seller at an agreed place. The seller must contract for and pay the costs of carriage necess bring the goods to the agreed place of transfer.
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CIP	The seller turns over possession of goods to the carrier or another entity designated by the seller at an agreed place. The seller must contract for and pay the costs of carriage necessary to bring the goods to the agreed place of transfer. The seller contracts insurance cover against the buyer's risk of loss of or damage to the goods during the carriage. Under CIP the seller is required to obtain only minimum cover insurance. Should the buyer wish to have more insurance protection, it will need either to agree expressly with the seller or to make its own extra insurance arrangements.
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DAP	The seller transfers goods to the possession of the buyer on the arriving means of transport (vessel, aircraft) ready for unloading at the named place of destination. The seller bears all costs and risks involved in bringing the goods to the named place, including insurance.
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DPU	The seller transfers possession of goods to the buyer, once unloaded, at a named place of destination. The seller bears all risks involved in bringing the goods to, and offloading them at, the named place of destination, including insurance.
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DDP	The seller delivers and transfers possession of the goods to the buyer, cleared for import on the arriving means of transport (truck, vessel, aircraft) ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import and to pay any duty for both export and import and to carry out all customs formalities.
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Incoterms for Seaborne Freight Only:

A general description of seaborne freight only Incoterms:

FAS	The seller turns over possession when the goods are placed alongside the vessel (e.g., on a quay or a barge) nominated by the buyer at the named port of shipment. The risk of loss of or damage to the goods passes when the goods are alongside the ship, and the buyer bears costs from that moment onward.
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FOB Free on Board	The seller turns over possession of the goods on board the vessel nominated by the buyer named port of shipment. The risk of loss or damage to the goods passes when the goods are loaded on board the vessel, and the buyer bears all costs from that moment onward, including insurance.
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CFR Cost and Freight	The seller turns over possession of the goods on board the vessel. The risk of loss of or damage to the goods passes to the buyer when the goods are on board the vessel, however the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.
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CIF Cost, Insurance and Freight	The seller turns over possession of the goods on board the vessel. The risk of loss of or damage to the goods passes to the buyer when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage, however the seller is only required to obtain minimum cover insurance. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.
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