



Exim Management Services
TOTAL EXIM SOLUTIONS !

INCOTERMS

2020





WHAT ARE INCOTERMS?

Incoterms are an internationally recognized set of terms that define the responsibilities and obligations of the parties involved in the transport of goods. Incoterms are used to clearly communicate the division of the cost of carriage and risks associated with the international transportation and delivery of goods between the seller to the buyer.



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Incoterms were first introduced in 1936 by the International Chamber of Commerce (ICC) as different practices and legal interpretations between traders around the world necessitated a common set of rules and guidelines for interpreting the most commonly used terms in foreign trade. Incoterms are revised periodically, roughly every 10 years, by the ICC to conform to changing trade practices.



WHAT INCOTERMS DO

It is important to note that the Incoterms of a contract for sale pertain only to the delivery terms (carriage freight costs) and insurability of the product. Incoterms define the respective obligations, costs and risks involved in the delivery of goods.





WHAT INCOTERMS DO NOT DO:

Incoterms by themselves do not:

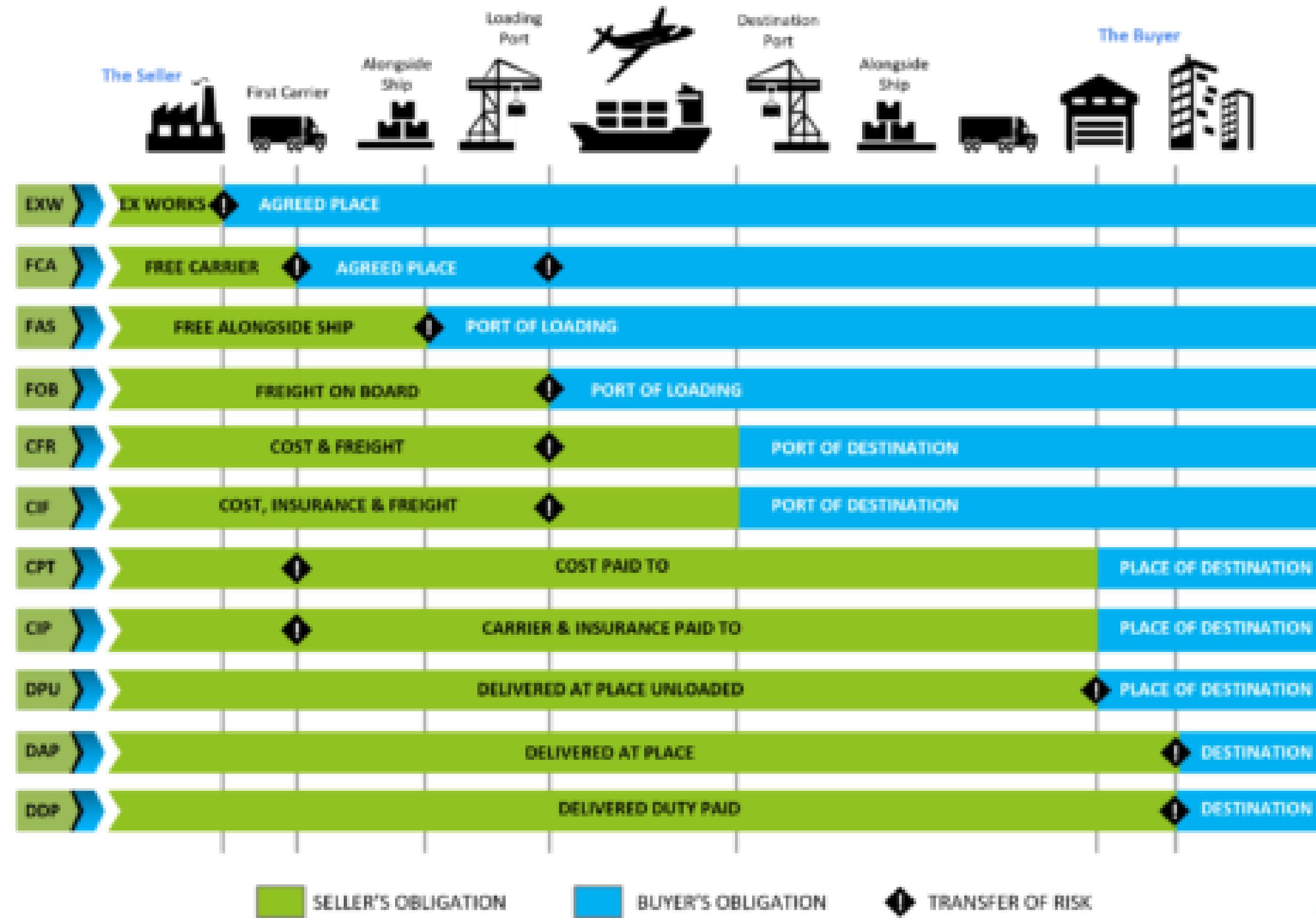
- Specify the amount of the contract or the terms of financing
- Supersede the law governing the contract
- Address the transfer of ownership of the goods
- Determine when revenue is recognized
- Address the consequences of a breach of contract or exemptions of liability

These items are defined by the terms of the sales contract and the governing law.



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Point of Delivery and Transfer of Risk



EXW – EX WORKS

This term represents the seller's minimum obligation, as the seller only has to make the goods available at its location. The seller does not load the goods on the collecting vehicle and does not clear the goods for export. The buyer bears all the costs for transportation, export and import duties, and cargo insurance, as well as the risks of bringing the goods to their final destination. The buyer also carries out all customs formalities.



FCA – FREE CARRIER

The seller delivers the goods to the carrier and clears the goods for export. Once the goods have been delivered to the carrier, the buyer takes over all the costs and risks. The buyer is responsible for procuring and paying for cargo insurance and all import formalities. FCA is the most commonly used Incoterm – it is used in ~40% of all international shipments. FCA is one of the most favorable terms for the buyer who wants to have control over costs at origin and international transportation through a nominated freight forwarder.



FAS – FREE ALONGSIDE SHIP

The seller delivers the goods alongside the vessel at the named port of shipment and is required to clear the goods for export. The risk of loss of or damage to the goods passes to the buyer when the goods are alongside the vessel. The buyer bears all costs from that moment forward, including loading the cargo on board the vessel, and is responsible for procuring the cargo insurance and carrying out all import formalities. This term can only be used for ocean and inland waterway transportation.

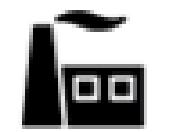


FOB – FREE ON BOARD

The seller delivers the goods to the vessel nominated by the buyer, loads the goods on board the ship, and clears the goods for export. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onward, including cargo insurance. The buyer is responsible for all import formalities. This term can only be used for ocean and inland waterway transportation. The FCA term was changed to allow the parties to agree to issue a Bill of Lading (BOL) to the seller once the goods arrive at the port.



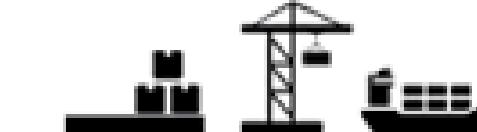
FOB - INCOTERMS® 2020



SELLER LOADED



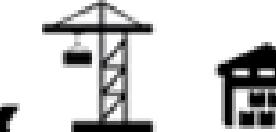
LOADED FIRST CARRIER



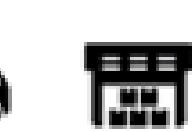
ALONGSIDE ON BOARD SHIP



ON ARRIVAL



UNLOADED



LOADED BUYER

FOB

FREE ON BOARD ! PORT OF SHIPMENT

<https://internationalcommercialterms.guru>



SELLER COST



BUYER COST



TRANSFER OF RISK

CFR – COST AND FREIGHT

The seller arranges transportation and pays for the goods to be delivered to the final port of destination. The seller is responsible for clearing the goods for export. As the risk of loss of or damage to the goods passes to the buyer when the goods are loaded on board the vessel, the buyer is responsible for procuring and paying for the cargo insurance. The buyer is responsible for all import formalities. This term can only be used for ocean and inland waterway transportation.



CIF – COST, INSURANCE AND FREIGHT

The seller clears the goods for export and covers the costs of insurance (to at least the port of destination) and main carriage while in transit to the port of destination named in the sales contract. The risk of loss of or damage to the goods passes to the buyer when the goods are loaded on board the vessel. The buyer is responsible for on carriage costs, all import formalities, and unloading costs. The buyer should note that the seller is only required to procure the “minimum” insurance coverage. This term can only be used for ocean and inland waterway transportation.



CPT – CARRIAGE PAID TO

The seller clears the goods for export and pays for pre carriage and main carriage to named place of destination. The seller may pay on carriage costs, which should be noted in the contract. The buyer is responsible for procuring cargo insurance and handling all import formalities.

This term has 2 critical points because risk passes and costs are transferred at different places:

- 1) risk passes once the goods have been delivered to the nominated carrier at the agreed place of shipment at origin, and
- 2) the named place of destination to which the seller must contract the carriage.



CIP – CARRIAGE AND INSURANCE PAID

The seller clears the goods for export and pays pre carriage and main carriage to the named place of destination. The seller may pay on carriage costs, which should be noted in the contact. This term has been updated to require the seller to purchase “nearly maximum” insurance coverage that is equivalent to Clause A (Institute of Cargo Clauses). The risk passes to the buyer when the goods are loaded on the first truck. The buyer is responsible for all import formalities.



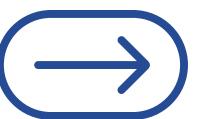
DAP – DELIVERED AT PLACE

The seller pays for carriage to the named place of destination and assumes all risks until the goods are ready for unloading by the buyer. The buyer is responsible for all costs related to import clearance. Unloading is the responsibility of the buyer.



DPU – DELIVERED AT PLACE UNLOADED

DPU replaces the DAT term. The seller clears the goods for export and pays for pre carriage, main carriage and on carriage costs. The buyer is responsible for all import clearance formalities. DPU is the only Incoterm explicitly tasking the seller with unloading.



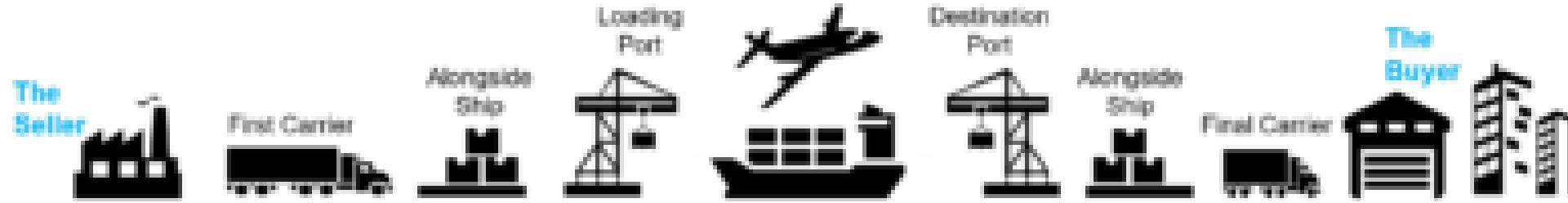
DDP – DELIVERED DUTY PAID

This term represents the maximum obligation to the seller. The seller is responsible for delivering the goods to 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 for export and import and to carry out all customs formalities, including the payment of all duties, taxes and customs fees. The parties are advised not to use DDP if the seller is unable to directly or indirectly obtain import clearance.



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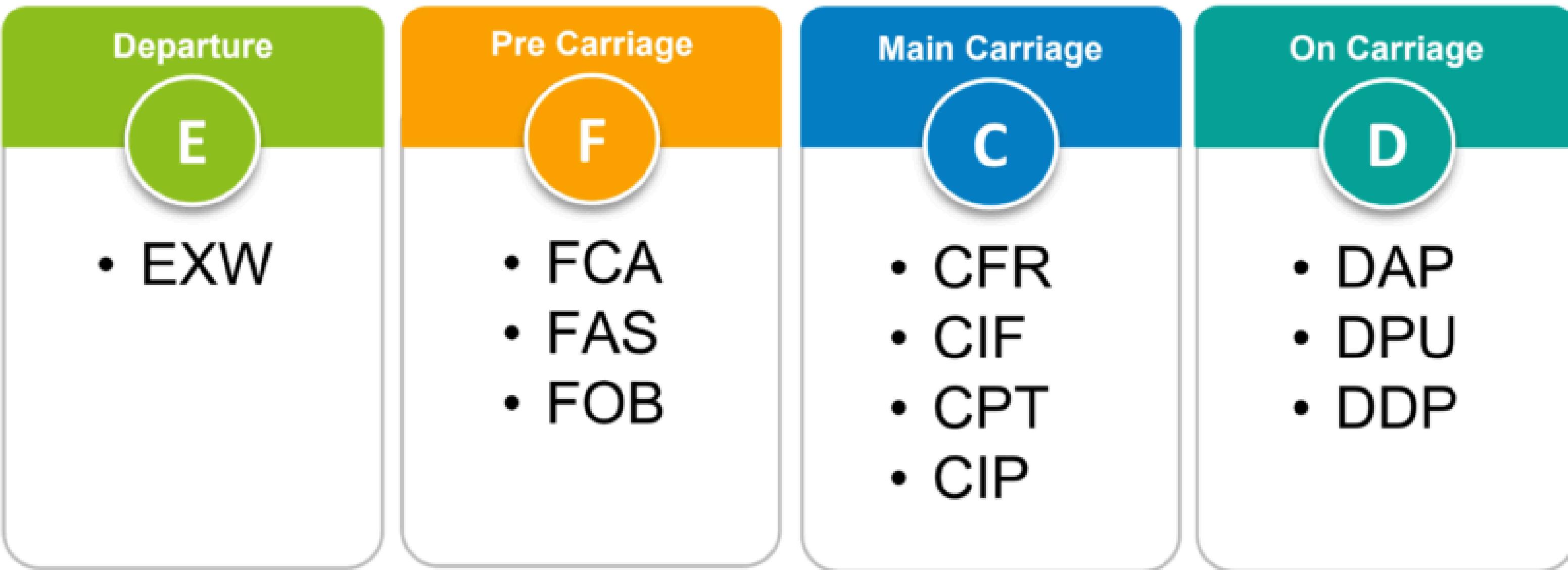
Responsibility Matrix for Contract of Sale



INCOTERMS 2020	FREIGHT COLLECT TERMS										FREIGHT PREPAID TERMS				
	EXW	FCA	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DPU	DAP	DDP			
	Ex-Works	Free Carrier (Warehouse)	Free Carrier (Port/Airport)	Free Alongside Ship	Freight on Board	Cost & Freight	Cost Insurance & Freight	Carriage Paid to	Carriage & Insurance Paid	Delivered at Place Unloaded	Delivered at Place	Delivered Duty Paid			
Mode of Transport:	Any Mode	Any Mode	Any Mode	Ocean Only	Ocean Only	Ocean Only	Ocean Only	Any Mode	Any Mode	Any Mode	Any Mode	Any Mode			
Obligations and Charges															
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller			
Export Formalities	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller			
Loading at Point of Origin	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller			
Origin Inland Freight	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller			
Origin Port charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller			
Forwarder Fees	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller			
Ocean / Air Freight	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller			
Destination Port Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller			
Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer			
Import Duties & Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller			
Delivery Charges to Final Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller			



Division of INCOTERMS



**Incoterms are now classified according to risk
and responsibilities.**

Division of INCOTERMS by Responsibility

Departure

E

- Seller makes the goods available to the Buyer at the delivery point indicated by the Seller
- Seller is not obligated to perform customs or export clearance and does not bear the risk and costs of loading

Pre Carriage

F

- Seller is responsible for export customs clearance
- The Seller does not pay transportation and insurance costs

Main Carriage

C

- Seller is responsible for export customs clearance
- Seller arranges the transport contract with the forwarder
- All costs after loading are the responsibility of the Buyer
 - Air freight is delivery to the carrier
 - Ocean freight is on board the vessel

On Carriage

D

- Seller is obligated to deliver the goods to a specific place on the Buyer's side after the port of destination

*Blocking and bracing is covered in the contract. not in the INCOTERM.



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 **Exim Management Services**
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