What Are Incoterms

Incoterms - short for International Commercial Terms – were designed by International Chamber of Commerce to facilitate the trade and regulate the bilateral obligations of the seller and the buyer. They regulate obligations regarding loading/unloading of cargo, its transport, reloading from one means of transport to another and custom clearances – both import and export.

Incoterms 2020

Incoterms 2020 are divided into universal rules – concerning all means of transport - and rules applied solely to maritime and inland waterway transport.

General rules: EXW, FCA, CPT, CIP, DAP, DPU, DDP

Maritime and inland waterway transports: FAS, FOB, CFR, CIF.

- EXW (Ex Works) – the seller fulfills his obligations when goods are available for the buyer to be collected at seller's premises or other agreed location (warehouse, factory etc.). The buyer is obliged to collect the goods, load them onto the agreed means of transport and arrange export customs clearance. This is the only Incoterm, where the buyer is responsible for export customs clearance.
- FCA (Free Carrier) – the seller fulfills his delivery obligations by one of two ways:
    1. When agreed delivery location is the premises of the seller, goods are delivered when they are loaded by the seller onto means of transport arranged by the buyer
    2. When agreed delivery location is different – goods are delivered once loaded on means of transport arranged by the seller and delivered to the agreed location ready to be unloaded and are at disposal of carrier designated by the buyer.

  The seller is responsible for export customs clearance. The buyer takes the risk at the agreed collection/delivery location. The buyer has to inform the seller about the name of the chosen carrier, the date of collection and the means of chosen transport.

- CPT (Carriage Paid To) – the seller delivers the goods and transfers the risk to the buyer at the moment of handing the goods to the carrier chosen by the seller or by the delivery of goods. The seller chooses the carrier and signs the transport contract with him but the risk is transferred to the buyer as soon as goods are handed to the carrier. This means that if there are any additional costs during the transport, beside the costs paid with freight by the seller – they need to be paid by the buyer. Export customs clearance is arranged by the seller.
- CIP (Carriage and Insurance Paid To) – The obligations of the seller are the same as in CPT, however he is additionally obliged to conclude an insurance contract for the transport, cover its cost and send the proof of the insurance to the buyer.
- DAP (Delivered at Place) – the seller delivers the goods and transfers risk to the buyer once the goods are presented at the buyer's disposal and are ready to be unloaded from the arriving means of transport in the agreed delivery location. The seller bears all the risk regarding the delivery of the goods to the agreed location. Export customs clearance is covered by the seller. Unloading of the goods from the means of transport in the agreed delivery location and import customs clearance are obligations of the buyer.
- DPU (Delivered at Place Unloaded) – the seller delivers the goods and transfers the risk to the buyer once the goods are unloaded from the arriving means of transport and left at the

disposal of the buyer in the agreed delivery location. This is the only Incoterm, where the seller is responsible for unloading of the cargo at the destination. The seller needs to make sure, that he is able to fulfill the unloading obligation at the agreed delivery location. Export customs clearance is arranged by the seller and import customs clearance is arranged by the buyer.

- DDP (Delivered Duty Paid) – the seller delivers the goods and transfers the risk to the buyer once the goods are presented at buyer's disposal and are ready to be unloaded from the arriving means of transport in the agreed delivery location. The seller needs to arrange both export and import customs clearance, the buyer only needs to unload the cargo from arriving means of transport.
- FAS (Free Alongside Ship) – the seller delivers the goods once they are placed alongside the vessel (on pier or barge) designated by the buyer in the agreed port of loading. Once the goods are placed alongside the vessel, all remaining costs and risks are transferred from seller to buyer. Export customs clearance is arranged by the seller.
- FOB (Free On Board) – seller delivers the goods to the buyer on board of the ship designated by the buyer in the agreed port of loading. The difference between FOB and FAS is that the seller also pays for loading of the cargo on board the vessel. The buyer is responsible for further transport and bears the risk once the goods are loaded on board. Export customs clearance is covered by the seller.
- CFR (Cost And Freight) – the seller bears costs of transport to the agreed port of destination and issues export customs clearance. The seller delivers the goods once they are loaded on board the vessel at the port of loading – this is the moment the risk of transport is transferred to the buyer, even though the freight is paid by the seller. This Incoterm places no obligation on the seller to conclude the insurance contract – therefore it is advisable for the buyer to conclude the insurance contract for the transport himself. The buyer covers all costs at the port of destination, arranges import customs clearance and covers further transport costs .
- CIF (Cost Insurance and Freight) – just as in CFR – the seller bears costs of transport to the agreed port of destination and issues export customs clearance. The seller delivers the goods and transfers the transport risk once goods are loaded on board of the vessel at the port of loading. CIF terms are wider than CFR by the obligation of the seller to conclude the insurance contract for the transport of goods to at least the port of destination. The buyer covers all costs at the port of destination, arranges import customs clearance and covers further transport costs.