



# COVID-19 RECOVERY

In partnership with



# COVID-19 Webinar

Practical Export Skills: An Introduction to Incoterms®

17 December 2020

# Welcome

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# INCOTERMS<sup>®</sup> 2020

## Domestic and International Trade Terms

# Agenda

What are Incoterms®?

How to incorporate Incoterms® into documentation

Overview of Incoterms®

Question and Answer session

# What are Incoterms®?

# What are Incoterms®?

Issued by the International Chamber of Commerce:

*‘The Incoterms® rules are the world’s essential terms of trade for the sale of goods.’*



**International Chamber of Commerce**

*The world business organization*

# Incoterms® 2020

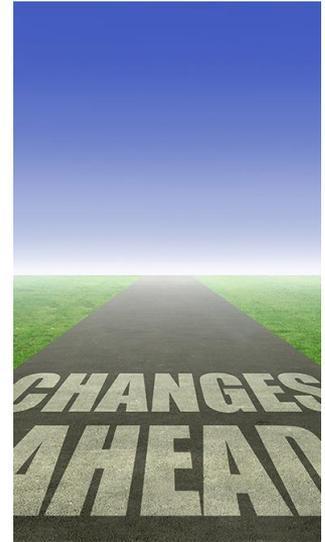
How to incorporate them into documentation

# Incoterms® 2020 – The Rule Book

The Incoterms® 2020 rule book has 10 Articles, numbered A1/B1 etc. A being for the Seller, B being for the Buyer.

The changes are as follows:

- The internal order of the Articles has changed
- Delivery and transfer of risk has transferred to A2 & A3 to be more prominent
- A new 'horizontal' format setting along with the traditional format setting
- A clearer explanation of sale and ancillary contracts
- Updated guidance notes known as Explanatory Notes at the beginning of each Incoterm
- A9/B9 list all costs allocated by the Incoterm
- Articles for each Incoterm are listed in groups - aiding in choosing the most appropriate Incoterms®



# Incoterms® 2020 – What they ‘do’

They explain the set of eleven three letter trade terms, e.g. CIF, DAP etc. reflecting business to business practice in contracts for the sale and purchase of goods.



The rules describe :

## **OBLIGATIONS**

Who does what e.g. who organises carriage or insurance of the goods or who obtains shipping documents and export or import licences

## **RISK**

Where and when the Seller ‘delivers’ the goods, in other words where risk transfers from Seller to Buyer

## **COSTS**

Which party is responsible for the costs, for example transport, packaging, loading or unloading costs, and checking or security-related costs

# Incoterms® 2020 – What they ‘do not do’

Incoterms® rules are not a substitute for a **CONTRACT OF SALE**. They reflect trade practices for all types of goods and can be used for trading of bulk cargo, containers or pallets

Incoterms® **DO NOT** cover the following:

- Whether there is a contract of sale
- The specification of the goods sold
- The time, place, method or currency of payment
- The effects of sanctions
- The imposition of tariffs
- Export or import prohibitions
- Force majeure or hardship
- Intellectual property rights
- The method, venue, or law of dispute resolution in case of such breach
- The transfer of property/title/ownership of the goods sold

These matters should be dealt with as part of the **Contract of Sale**



# Incoterms® 2020 – Contract of Sale



- Incoterms® rules **DO NOT** deal with the transfer of property/title/ownership of the goods sold, therefore specific provisions within the contract and /or terms conditions is required
- Incoterms® **ARE NOT** in themselves a contract of sale, they only become part of the contract when they are incorporated into it
- Failure to address these requirements in the contract may lead to problems if disputes arise about performance or breach
- There may be legal regimes which apply to a contract, for example the Sales of Goods Act (SOGA) or there is the International Convention on the International Sale of Goods (CISG) – however this is not recognised by the UK

# Incoterms® 2020 – The Terms: Be Precise

- Incoterms® rules **DO NOT** deal with the transfer of property/title/ownership of the goods sold, therefore specific provisions within the contract and /or terms conditions is required
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## FOCUS

Maximum clarity

a center of interest or a  
close attention, concentra  
can be clearly apprehend  
Focal point or principle fo

# Overview of the Terms What are the rules?

# INCOTERMS® 2020 – Any Mode of Transport

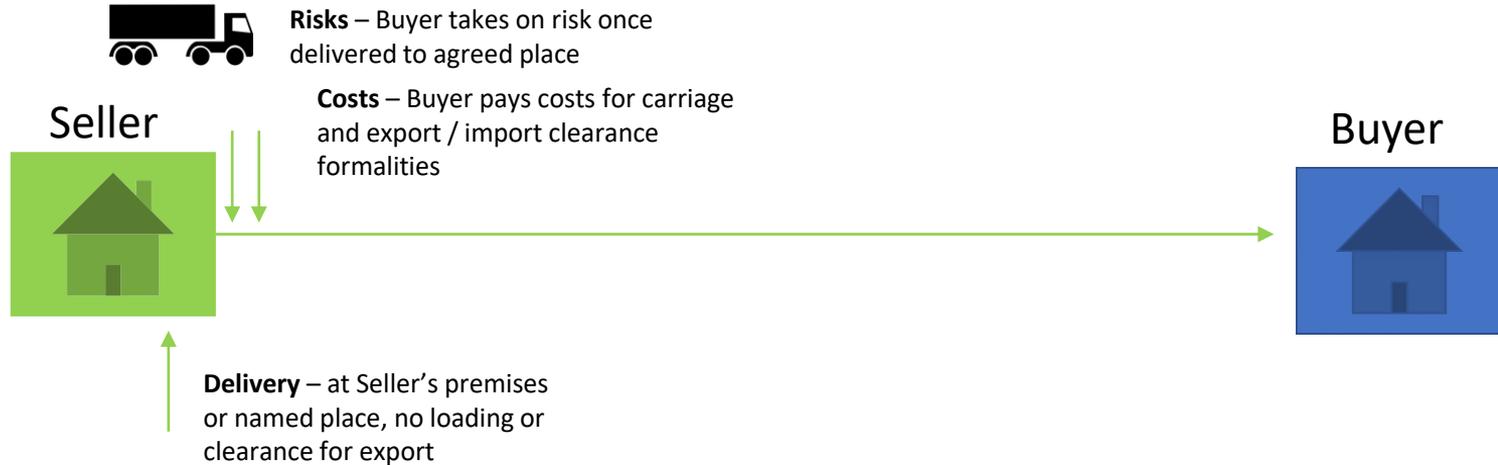
These terms are used for any mode of transport – multi modal – and are intended for use when:

- The point at which the Seller hands the goods over to, or places them at the disposal of a Carrier, or
- The point at which the Carrier hands the goods over to the Buyer, or the point at which they are placed at the disposal of the Buyer, or
- Both above points, BUT are not on board (or in FAS alongside) a vessel

**(EXW, FCA, CPT, CIP, DAP, DPU, DDP)**



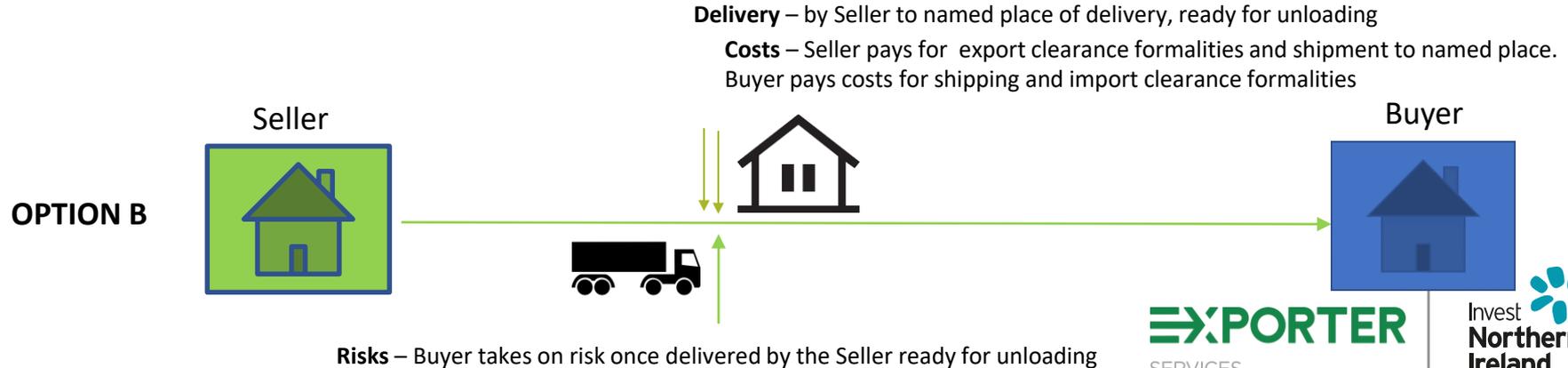
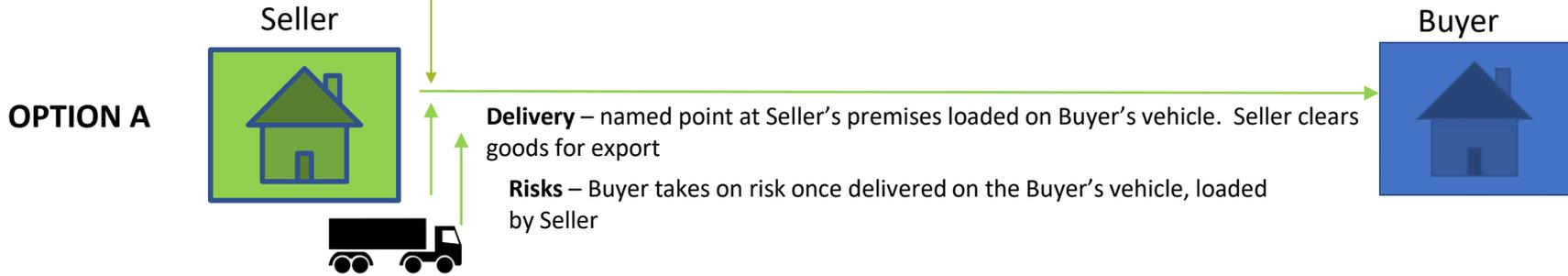
# EXW – Ex Works: Named Place of Delivery



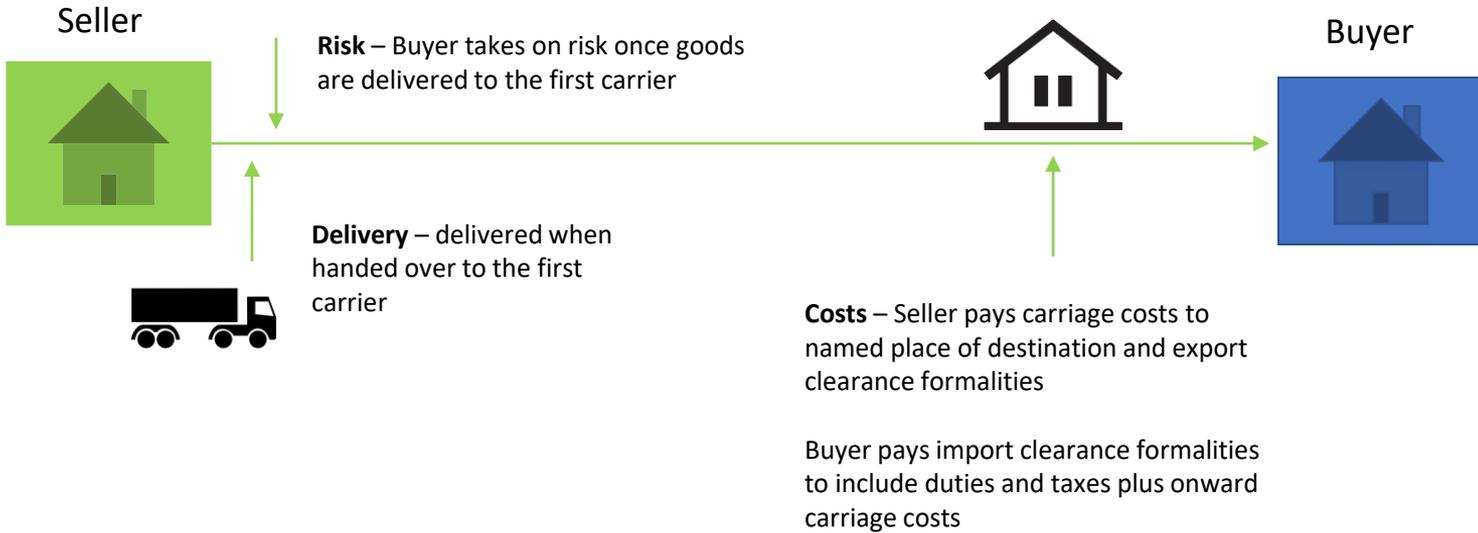
This is suitable for domestic shipments where there is no intention to export the goods. Also where a Buyer anticipates exporting the goods and may experience problems in obtaining export clearance then use of FCA is recommended

# Free Carrier (FCA) – Named Place of Delivery

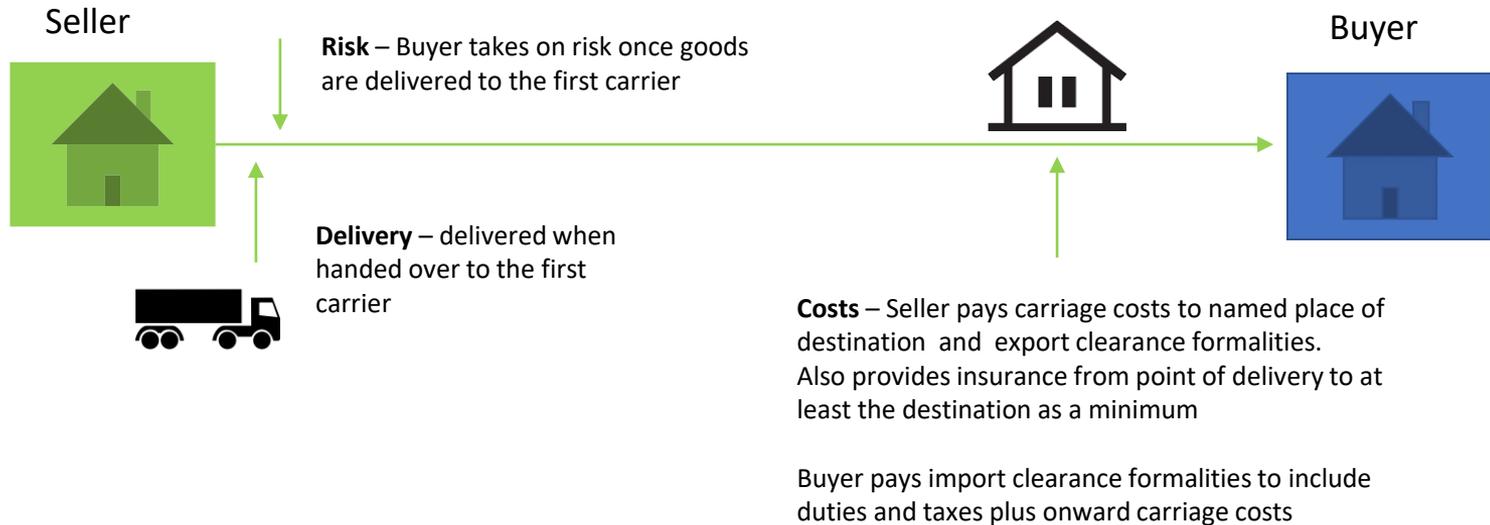
**Costs** – Seller pays for export clearance formalities  
Buyer pays costs for shipping and import clearance formalities



# Carriage Paid To (CPT) – Named Place of Destination

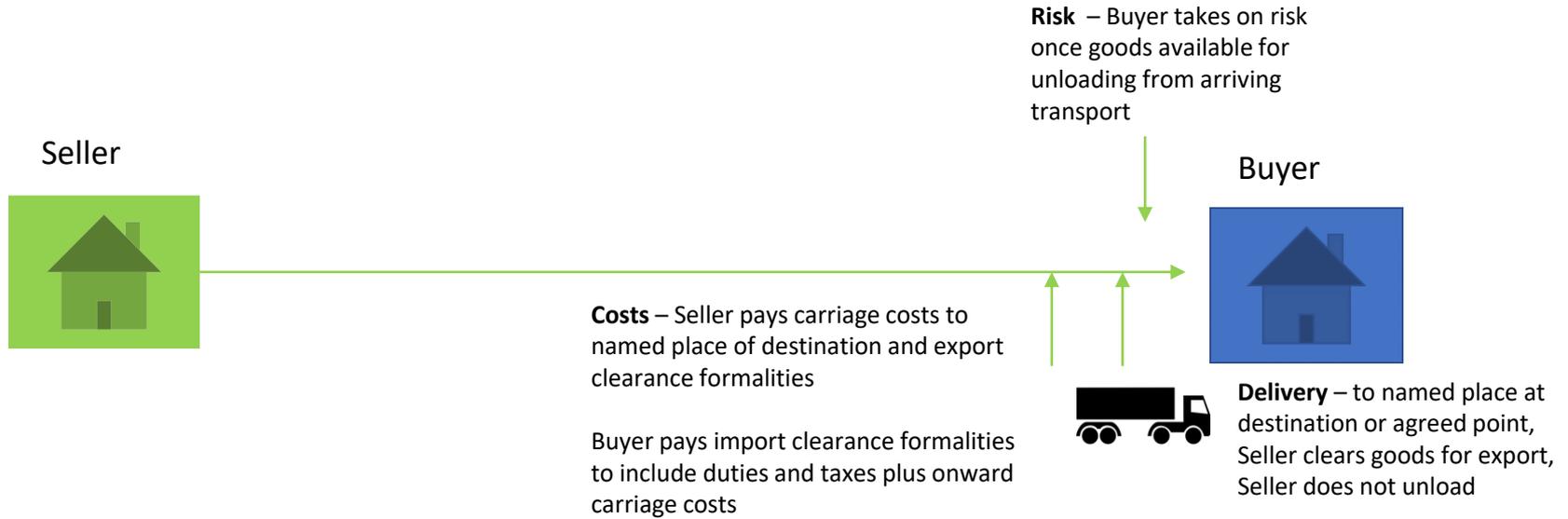


# Carriage and Insurance Paid To (CIP) – Named Place of Destination



Where insurance is required to be purchased locally in the destination country then consider utilising CPT

# Delivered at Place (DAP) – Named Place at Destination



# Delivered at Place Unloaded (DPU) – Named Place at Destination



# Delivered Duty Paid (DDP) – Named Place at Destination



The Buyer owes some obligation to the Seller, for example obtaining import clearance which can only be performed in the import country. Where this is physically or legally difficult then it would be better advised to utilise DAP or DPU

# Seller OBLIGATIONS - DDP



## The Seller provides:

- the goods suitably packaged and labelled
- arrange or contract for carriage to the named place of destination or agreed point
- delivery of goods ready for unloading at the agreed point or place
- the commercial invoice and any other conformity documents, paper or electronic
- export / transit / import clearance of goods
- the transport document to allow the Buyer to take over the goods

## The Seller has no obligation to provide:

- insurance

# Seller COSTS - DDP

- Seller responsible for the cost of the goods until delivered, any checking operations – example weighing, measuring - plus packaging
- Seller must pay any costs relating to carriage
- Seller to pay for unloading charges only if this is for the Seller's account
- Seller pays cost for export / transit / import clearance formalities to include licences, pre-shipment inspections
- Clearance formalities also include duties and taxes, the taxes are unlikely to be recovered
- Seller must pay any cost relating to the provision of the delivery / transport document



# Buyer COSTS - DDP



Buyer pays any charge for unloading, unless this was for the Sellers account under the contract of carriage

# Incoterms® 2020 – Sea & Inland Waterway

These terms are expected to be used when the Seller intends to place the goods onboard (alongside a vessel for FAS) at a sea port or river port.

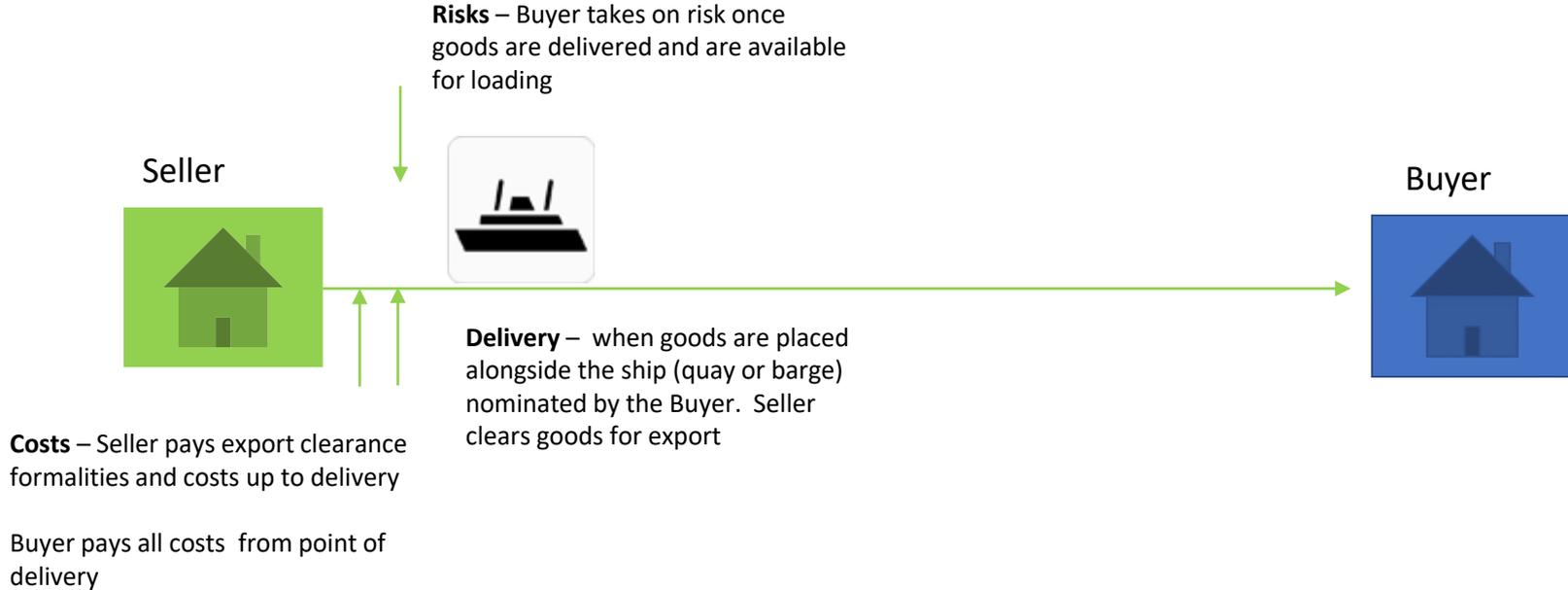
At this point the goods are deemed delivered and therefore any risk of loss or damage is passed to the Buyer at the port.

***These terms are not appropriate where goods are handed over to the Carrier before they are alongside or onboard a vessel, for example where goods are handed over to a Carrier at a container terminal. If this is the case then consider using FCA, CPT or CIP.***

**(FOB, FAS, CFR, CIF)**

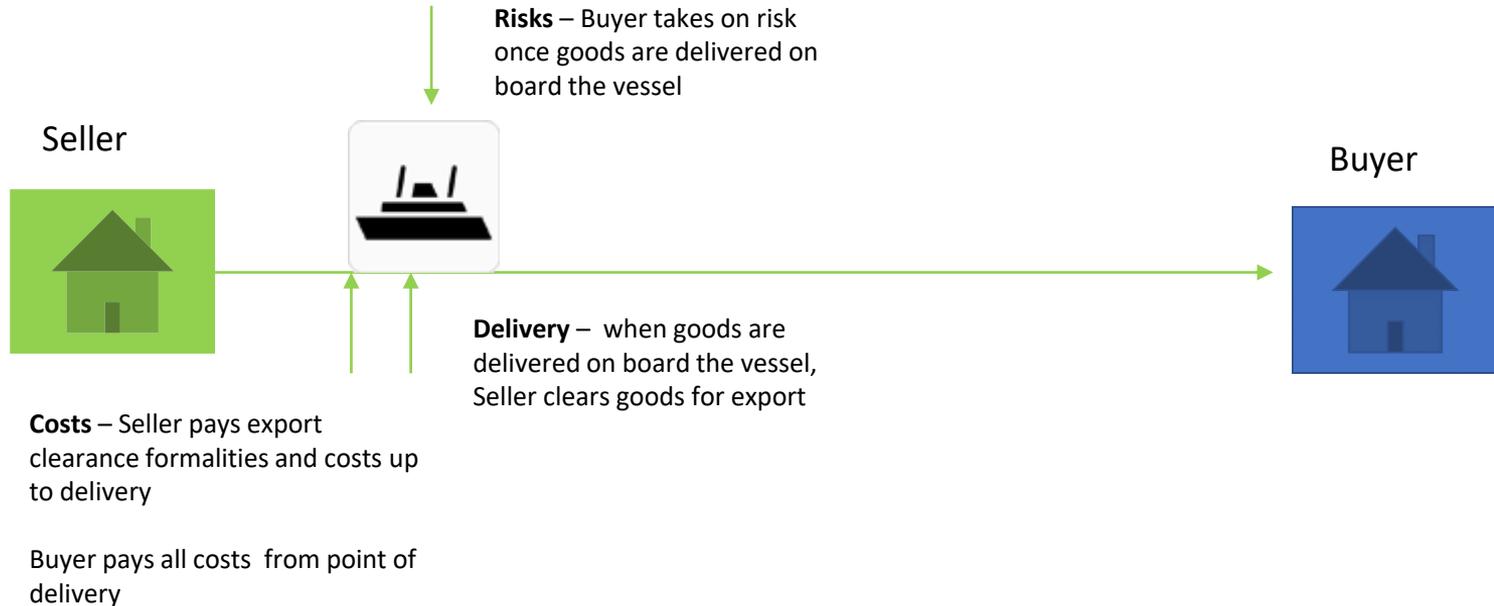


# Free Alongside Ship (FAS) – Named Port of Shipment



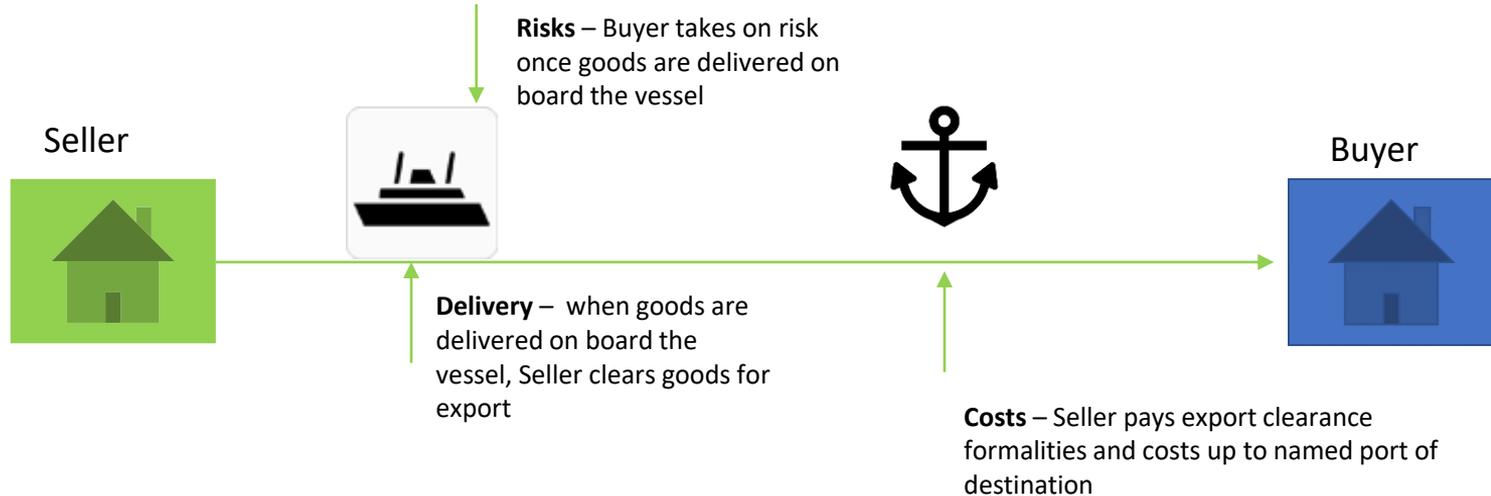
If the goods are to be handed over to a Carrier before they are alongside the ship, for example a container terminal, then FCA should be considered

# Free On Board (FOB) – Named Port of Shipment



This term should only be used when the goods are placed on board the vessel. If a container is handed to a Carrier at a container terminal before it is loaded, then FCA should be considered

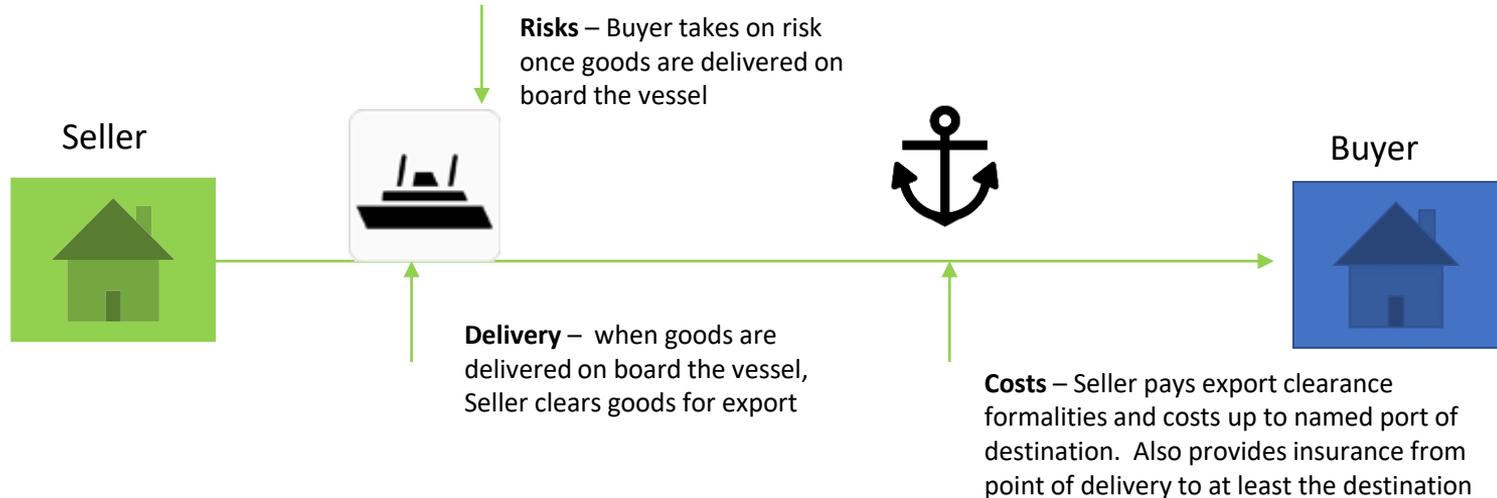
# Cost and Freight (CFR) – Named Port of Destination



If more than one mode of transport is used, which may be the case if goods are handed to a Carrier at a terminal, then the appropriate rule to use is CPT

Buyer pays import clearance formalities to include duties and taxes plus onward carriage costs

# Cost Insurance and Freight (CIF) – Named Port of Destination



If more than one mode of transport is used, which may be the case if goods are handed to a Carrier at a terminal, then the appropriate rule to use is CPT

Where insurance is required to be purchased locally in the destination country then consider utilising CFR

**Costs** – Seller pays export clearance formalities and costs up to named port of destination. Also provides insurance from point of delivery to at least the destination

Buyer pays import clearance formalities to include duties and taxes plus onward carriage costs

# Thank You

# Questions

# Useful Links

[www.investni.com/newsletter](http://www.investni.com/newsletter)

[www.investni.com/events](http://www.investni.com/events)

[www.nibusinessinfo.co.uk](http://www.nibusinessinfo.co.uk)