

# Clarity. Delivered.

INCOTERMS® (2020) TRADE TERMS AND YOUR RESPONSIBILITIES  
FOR BUYING AND SELLING ON INTERNATIONAL MARKETS

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# Our guide to Incoterms® Trade Terms (2020)

With tariffs, borders and oceans to navigate, international trade is complex. When all variables are considered, establishing agreeable terms of sale is as important as price. Incoterms® definitions help define the ground rules buyers and sellers should follow in order to eliminate surprises, and complete the delivery of goods on time, and on budget.

Within this guide you will find the current Incoterms® definitions presented in full detail. Should any further questions arise, please don't hesitate to call a Farrow representative.

## WHO CREATED INCOTERMS® TRADE TERMS?

Incoterms®, (International Commercial Terms) trade terms are published by the International Chamber of Commerce (ICC). First developed in 1936, they are reviewed every 10 years against security developments, international trading obligations and more. The most recent update to the Incoterms® trade terms occurred in 2020.

### SOURCE:

ICC website: <https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-2020/>

The full text of the 2020 edition of the Incoterms rules is available at:

<https://2go.iccwbo.org/explore-our-products/books/incoterms/incoterms-rules.html>

"Incoterms" is a registered trademark of the International Chamber of Commerce (ICC).

## What are Incoterms® definitions?

Incoterms® definitions lay out the generally accepted responsibilities of both sellers and buyers for the delivery of goods. They add clarity around the roles of each when it comes to product carriage, customs clearance and the allocation of risk. Incoterms® trade terms have established common rules about trade terminology, helping eliminate uncertainty around their interpretation in various countries around the globe.

With over 100 years of helping clients conduct business around the world, the team at Farrow offers expert guidance in contract negotiations incorporating Incoterms® definitions for clarity, and the peace of mind you need to thrive, anywhere.

SERVICES	EXW EX WORKS	FCA FREE CARRIER	FAS FREE ALONGSIDE SHIP	FOB FREE ON BOARD	CFR COST & FREIGHT	CIF COST INSURANCE AND FREIGHT	CPT CARRIAGE PAID TO	CIP CARRIAGE AND INSURANCE PAID TO	DAP DELIVERED AT PLACE	DPU DELIVERED AT PLACE UNLOADED	DDP DELIVERED DUTY PAID
TRANSFER OF RISK	AT BUYER'S DISPOSAL	ON BUYER'S TRANSPORT	ALONGSIDE SHIP	ON BOARD VESSEL	ON BOARD VESSEL	ON BOARD VESSEL	AT CARRIER	AT CARRIER	AT NAMED PLACE	AT NAMED PLACE UNLOADED	AT NAMED PLACE
MODE OF TRANSPORT	ANY MODE OF TRANSPORT		SEA & INLAND WATERWAY TRANSPORT			ANY MODE OF TRANSPORT					
PACKAGING, MARKING, QUALITY CONTROL	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER
LOADING & INLAND DELIVERY	BUYER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER
EXPORT DUTY & TAXES	BUYER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER
ORIGIN TERMINAL CHARGES	BUYER	BUYER	BUYER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER
MAIN TRANSPORT	BUYER	BUYER	BUYER	BUYER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER	SELLER
INSURANCE	BUYER <sup>1</sup>	BUYER <sup>1</sup>	BUYER <sup>1</sup>	BUYER <sup>1</sup>	BUYER <sup>1</sup>	SELLER	BUYER <sup>1</sup>	SELLER	SELLER <sup>2</sup>	SELLER <sup>2</sup>	SELLER <sup>2</sup>
DESTINATION TERMINAL CHARGES	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	SELLER	SELLER	SELLER
DELIVERY TO DESTINATION	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	SELLER	SELLER	SELLER
UNLOADING AT DESTINATION	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	SELLER	BUYER
IMPORT DUTY & TAXES	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	BUYER	SELLER

### LEGEND

**SELLER RESPONSIBILITY**

**BUYER RESPONSIBILITY**

1 No obligation to obtain an insurance contract, though the risks are borne by the Buyer.

2 No obligation to obtain an insurance contract, though the risks are borne by the Seller.

## Incoterms® trade terms are grouped in two classes as follows:

### RULES FOR ANY MODE OR MODES OF TRANSPORT

#### **EXW / EX WORKS**

“Ex Works” means that the seller delivers when it places the goods at the disposal of the buyer at the seller’s premises or at another named place (i.e., works, factory, warehouse, etc.). The seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.

#### **FCA / FREE CARRIER**

“Free Carrier” means that the seller delivers the goods to the carrier or another person nominated by the buyer at the seller’s premises or another named place. The parties are well advised to specify as clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

#### **CPT / CARRIAGE PAID TO**

“Carriage Paid To” means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

#### **CIP / CARRIAGE AND INSURANCE PAID TO**

“Carriage and Insurance Paid to” means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place 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. The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover. 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.”

#### **DAP / DELIVERED AT PLACE UNLOADED**

“Delivered at Place Unloaded” means that the Seller delivers the goods at the disposal of the buyer after they’ve been unloaded from the arriving means of transport. DPU is the only Incoterms rule that requires the Seller to unload goods at the place of destination. DPU can apply to any, and more than one, mode of transport. DPU requires the Seller to clear goods for export, where applicable, without any obligation to clear the goods for import, pay import duty or carry out import customs formalities.

#### **DPU / DELIVERED AT PLACE**

“Delivered at Place” means that the seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named destination agreed upon by both parties. “Place” includes a place, whether covered or not, agreed upon by both parties, this can be a terminal, yard, warehouse, or any place agreed upon. The seller bears all risks involved in bringing the goods to and unloading them at the named port or place of destination.

**DDP / DELIVERED DUTY PAID**

“Delivered Duty Paid” means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport 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, to pay any duty for both export and import and to carry out all customs formalities.

**RULES FOR SEA AND INLAND WATERWAY TRANSPORT****FAS / FREE ALONGSIDE SHIP**

“Free Alongside Ship” means that the seller delivers 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 all costs from that moment onwards.

**FOB / FREE ON BOARD**

“Free On Board” means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. 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 onwards.

**CFR / COST AND FREIGHT**

“Cost and Freight” means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes 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.

**CIF / COST, INSURANCE AND FREIGHT**

“Cost, Insurance and Freight” means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes 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. The buyer should note that under CIF the seller is required to obtain insurance only on minimum cover. 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.”

Eliminate surprises with Incoterms® definitions for international shipping. **Ask us how.**

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**SOURCE:**

ICC website: <https://iccwbo.org/>

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