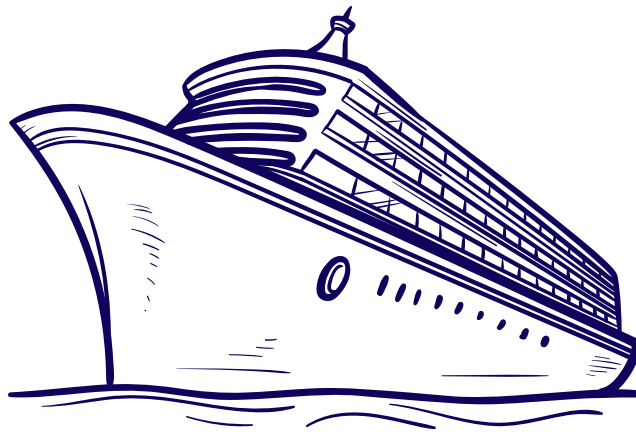




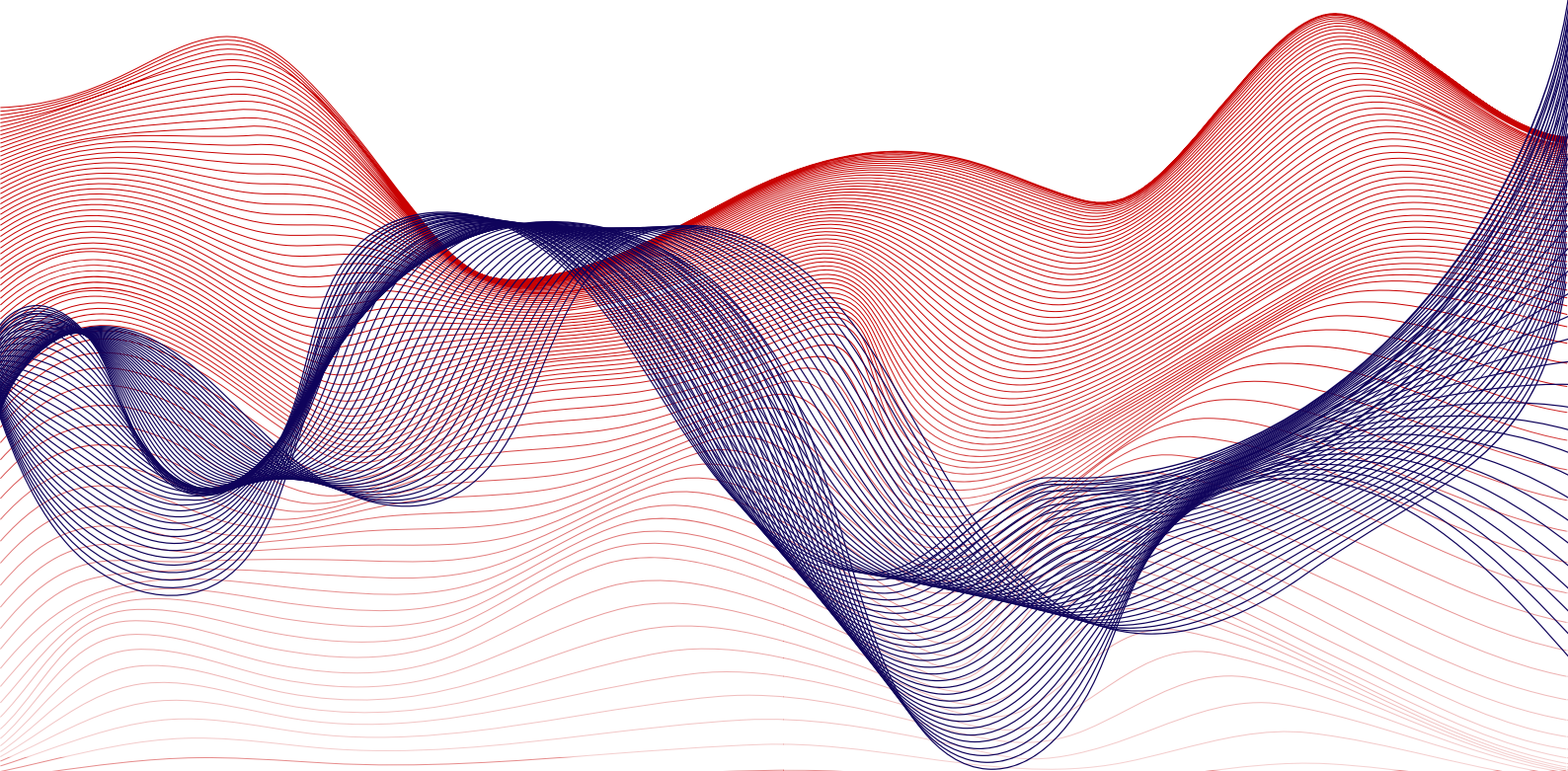
**ACTIVE CARGO SOLUTIONS PVT. LTD.**

(Customs clearance – Imports & Exports, International Freight Forwarding  
& Transportation)

# INCOTERMS



"Ensuring Compliance, Empowering your Global Business"



# What Are Incoterms?

In essence, Incoterms® serve as the agreed-upon selling terms in international transactions between buyers and sellers of goods. These regulations hold global recognition by governments and legal entities. Understanding Incoterms® is indispensable in international trade as they precisely delineate the responsibilities, costs, and risks allocated to both parties.

These terms specify the juncture at which the seller's liabilities and risks shift to the buyer. Moreover, it's crucial to note that not all regulations are universally applicable. Some encompass various modes of transportation, including road, rail, air, and sea. Modes such as FCA, CPT, CIP, DAP, DPU (replaces DAT), and DDP are applicable for transport by any mode. Meanwhile, regulations like FAS, FOB, CFR, and CIF pertain specifically to sea or inland waterway transport, as elaborated below.

## **The Incoterms are divided into four principal categories: E, F, C and D.**

**1. Category E (Departure), which contains only one trade term, i.e. EXW (Ex- Works).**

**2. Category F (Main Carriage Unpaid), which contains three trade terms:**

- FCA (Free Carrier)
- FAS (Free Alongside Ship)
- FOB (Free on Board)

**3. Category C (Main Carriage Paid), which contains four trade terms:**

- CPT (Carriage paid to)
- CIP (Carriage and Insurance paid to)
- CFR (Cost and Freight)
- CIF (Cost, Insurance and Freight)

**4. Category D (Arrival), which contains three trade terms:**

- DAP (Delivered at Place)
- DPU (Delivered at Place Unloaded)
- DDP (Delivered Duty Paid)

The four above-mentioned categories can also be classified as per the means of transportation:

- Incoterms for any mode of transport: EXW, FCA, CPT, CIP, DPU, DAP and DDP;
- Incoterms only for sea and inland waterway transport: FAS, FOB, CFR and CIF.

## **EXPLANATION:**

### **1. EXW – Ex-Works or Ex-Warehouse**

- Ex works is when the seller 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 them for export, where such clearance is applicable.

### **2. FCA – Free Carrier**

- 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 explicitly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

### **3. FAS – Free Alongside Ship**

- 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 products are alongside the ship. The buyer bears all costs from that moment onwards.

### **4. FOB – Free On Board**

- 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 products are on board the vessel. The buyer bears all costs from that moment onwards.

## **5. CFR – Cost and Freight**

- 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 products 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.

## **6. CIF – Cost, Insurance and Freight**

- 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 products are on the ship.
- 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.

## **7. CPT – Carriage Paid To**

- The seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such site is agreed between parties).
- The seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

## **8. CIP – Carriage And Insurance Paid To**

- The seller has the same responsibilities as CPT, but they also contract 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.

## **9. DAP – Delivered At Place**

- The seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination.
- The seller bears all risks involved in bringing the goods to the named place.

## **10. DPU – Delivered At Place Unloaded (replaces Incoterm® 2010 DAT)**

- DPU replaces the former Incoterm® DAT (Delivered At Terminal). The seller delivers when the goods, once unloaded are placed at the disposal of the buyer at a named place of destination.
- The seller bears all risks involved in bringing the goods to, and unloading them at the named place of destination.

## **11. DDP – Delivered Duty Paid**

- 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. They must clear the products not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.

## **What Do Incoterms Not Cover?**

There are specific instances that Incoterms will not cover. Incoterms do not:

- Address all the conditions of a sale
- Identify the goods being sold nor list the contract price
- Reference the method or timing of payment negotiated between the seller and buyer
- Determine when the title, or ownership of the goods, passes from the seller to the buyer
- Specify which documents must be provided by the seller to the buyer to facilitate the customs clearance process in the buyer's country
- Address liability for the failure to provide the goods in conformity with the contract of sale, delayed delivery, or dispute resolution mechanisms<sup>2</sup>

Due to the omission of certain sale conditions, working only with Incoterms can be constricting. All parties involved in any contract should make sure that the applicable instances above are addressed before signing the contract; this ensures a smooth business transaction, as many legal matters can arise when the parties are working only with Incoterms.



# Download an easy to understand chart of all Incoterms® 2020

This infographic states each Incoterm® and explains obligations and charges that are accepted by the buyer and seller.



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Groups	Freight Collect Terms						Freight Prepaid Terms				
	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode or Modes of Transport				
Incoterm®	EXW Ex Works (Place)	FCA Free Carrier (Place)	FAS Free Alongside Ship (Port)	FOB Free On Board (Port)	CFR Cost and Freight (Port)	CIF Cost Insurance & Freight (Port)	CPT Carriage Paid To (Place)	CIP Carriage & Insurance Paid to (Place)	DAP Delivered at Place (Place)	DPU Delivered at Place Unloaded (Place)	DDP Delivered Duty Paid (Place)
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
<b>Obligations &amp; Charges:</b>											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Customs Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	*Seller	Negotiable	**Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	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 & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

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## CONCLUSION:

Incoterms serve as valuable tools in simplifying international trade transactions. They are differentiated based on the mode of transport. These terms delineate the responsibilities between buyers and sellers, yet certain elements of trade, such as the nature of goods or future liability obligations, remain outside their scope. Therefore, while Incoterms play a crucial role in clarifying agreements, they should complement rather than encompass the entirety of the trade arrangement.