

DECEMBER 2012

Q&A BRIEF GUIDE TO UNDERSTANDING INCO-TERMS



The Transit Transport Coordination
Authority of the Northern Corridor
Secretariat.

P.O. Box 34068 - 80118

Plot 1196 Links Road Nyali

Mombasa - Kenya

Tel: +254 414 470 734

E-mail: ttca@ttcanc.org

Website: www.ttcanc.org

UNDERSTANDING INCO-TERMS

Introduction:

The proper use of Inco-terms is being advanced by the Transit Transport Coordination Authority of the Northern Corridor (TTCA-NC) Secretariat to help the traders reduce the cost of doing business along the Northern Corridor.

Reduction in the cost of doing business starts from the terms of trade the trader uses to transact business. Failure to understand the international commercial terms puts the trader at a disadvantage when sourcing or supplying goods.

In international trade before the goods are received by the buyer/importer from the seller/exporter, there are various activities and transactions that take place along the transport logistics chain such as; export clearance, transportation, cargo handling, customs clearance/payment of duties and insurance. Inco-terms respond to the question of whether it is the buyer or the seller that is responsible for a given activity and the attendant transaction cost.

Through the proper use of Inco-terms the trader can reduce the cost of importing goods to his home country. On the other hand if exporting the trader can create an opportunity to make some more profits.

1. What are Inco-terms?

Inco-terms (International Commercial Terms) are devised by the International Chamber of Commerce (ICC). They are standard international trade definitions used in international freight. They split the responsibilities, transaction costs and risk of internationally traded goods along the transport logistics chain between the seller and buyer. They provide a set of international rules for common interpretation of the commercial terms of trade in a sales contract.

2. Of what importance are Inco-terms?

i- To the Buyer/Importer and Seller/Exporter:

- They apportion responsibilities and risks between the buyer and seller in relation to;
 - Export and import clearance responsibilities
 - Who arranges for what activity/transaction?
 - Who pays for what transaction cost?
 - Who bears the risks for the loss/damage of goods at the different locations along the transport logistics chain (passing of risk)
- They define the role of buyers and sellers or exporters and importers in the transportation arrangement and reflect state-of-the art transport practices;
- They define which documents the buyer expects from the seller depending on the term used.
- They outline where and how delivery of goods takes place depending on which term is used.

ii- To Customs Administrations and Customs Agents:

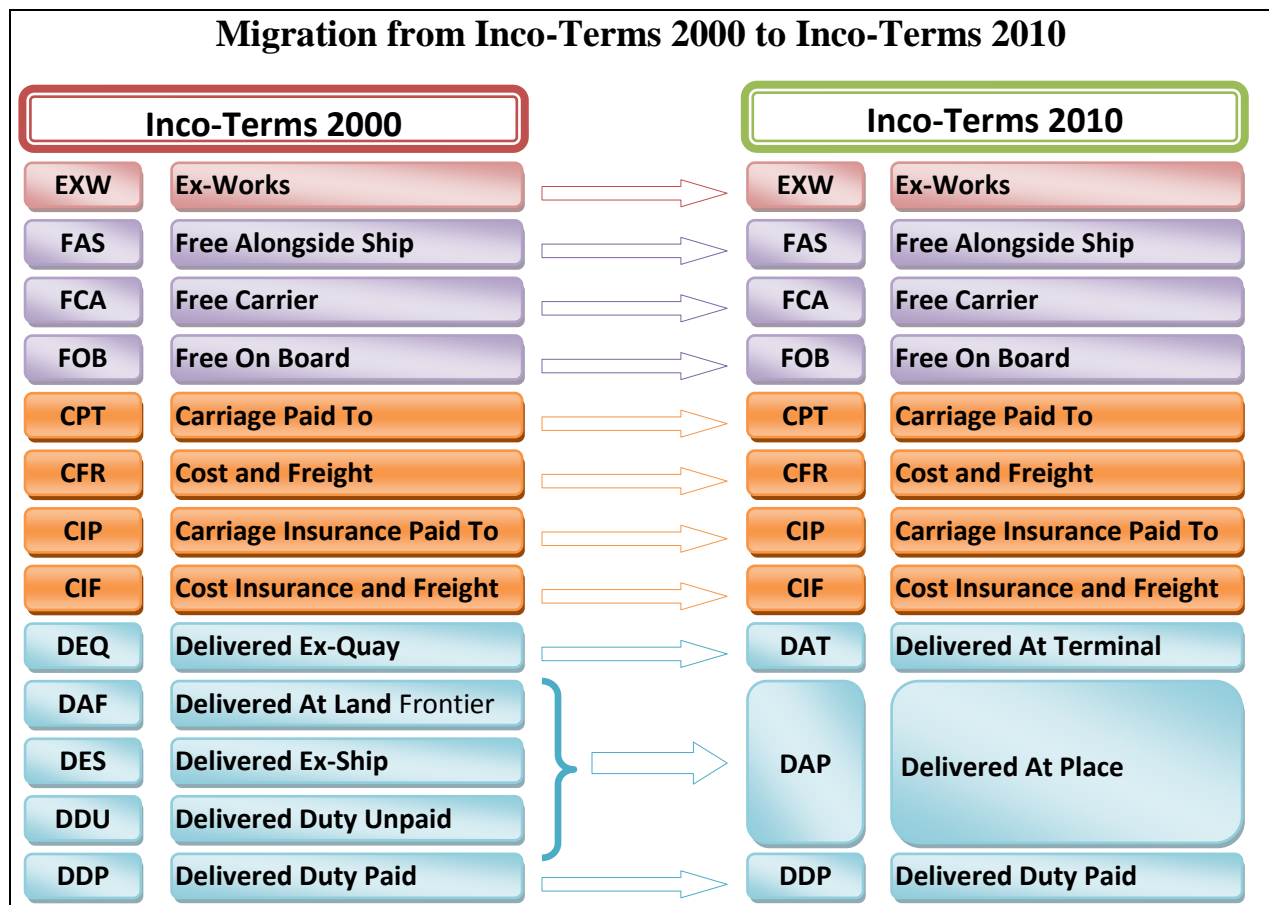
- In the process of determination of the Customs Value of imported goods they provide guidance to;
 - Which adjustments to make on the commercial invoice value to arrive at the Customs Value of goods used for tax purposes?
 - Which documents to demand from the importer in support of the declared Customs Value?

3. How many Inco-terms are there?

There are 11 Inco-terms under incoterm2010; these were revised from the 13 Inco-terms that were under Inco-terms 2000.

The reduction in Inco-terms from 13 to 11 was accomplished by substituting two new Inco-terms i.e.

- **DAT** (Delivered at Terminal) to replace **DEQ** (Delivered Ex-Quay) and
- **DAP** (Delivered at Place) to replace 3 Inco-terms namely **DAF** (Delivered at Frontier), **DES** (Delivered Ex-Ship), and **DDU** (Delivered Duty Unpaid). The figure below shows how the changes were made.



4. Can I use Inco-terms 2000 in a sales contract?

Yes, Inco-terms 2000 are still acceptable to be used in a contract of sale.

5. Does the mode of transport dictate the Inco-term which should be used in the sales contract?

Yes. Inco-terms are organized into two categories or classifications; Inco-terms that can be used for any mode of transport and Inco-terms for sea and inland water transport only.

CATEGORIES/CLASSIFICATION OF INCO-TERMS		
	Used for Any Mode of Transport	Used for Sea and Inland Waterway Transport
Group E - Departure	EXW - EX Works	
Group F – Main Carriage Unpaid	FCA - Free Carrier (Common for Air / Rail Transport)	FAS - Free Alongside Ship FOB - Free on Board
Group C – Main Carriage Paid	CPT - Carriage Paid To CIP - Carriage & Insurance Paid To	CFR - Cost and Freight CIF - Cost Insurance Freight
Group D - Destination	DAF - Delivered at Frontier (Inco-term 2000) DDU -Delivered Duty Unpaid (Inco-term 2000) DAT -Delivered At Terminal (Inco-term 2010) DAP -Delivered At Place (Inco-term 2010) DDP - Delivered Duty Paid	DES – Delivered Ex-Ship (Inco-term 2000) DEQ - Delivered EX- Quay (Inco-term 2000)

6. What are the factors which one may consider before choosing an Inco-term for transacting business?

- Mode of transport
- Risk profile
- Payment method
- Regulation of buyer’s country

- Normal business practice
- Documentary requirements
- Control of transaction
- Cost control
- Country constraints
- Keeping the customer happy

7. What are the responsibilities of the seller and buyer under the different Incoterms?

INCOTERMS® 2000 QUICK REFERENCE CHART

DIVISION OF RESPONSIBILITY BETWEEN THE BUYER AND THE SELLER UNDER INCOTERMS 2000													
S = Seller Responsible							B = Buyer Responsible						
Service/Event	INCOTERM (2000)												
	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAF	DES	DEQ	DDU	DDP
Pack for Export	S	S	S	S	S	S	S	S	S	S	S	S	S
Mark and Label	S	S	S	S	S	S	S	S	S	S	S	S	S
Export Clearance (License)	B	S	S	S	S	S	S	S	S	S	S	S	S
Arrange Insurance	B	B	B	B	B	S	B	S	S	S	S	S	S
Nominate Main Carrier	B	B	B	B	S	S	S	S	S	S	S	S	S
Nominate Export Forwarder	B	B	B	B	S	S	S	S	S	S	S	S	S
Arrange Pre-Carriage	B	S	S	S	S	S	S	S	S	S	S	S	S
Load Pre-Carrier	B	S	S	S	S	S	S	S	S	S	S	S	S
Unload Pre-Carrier	B	B	S	S	S	S	S	S	S	S	S	S	S
Load Main Carrier	B	B	B	S	S	S	S	S	S	S	S	S	S
Stow Main Carrier	B	B	B	B	B	B	B	B	S	S	S	S	S
Unload Main Carrier	B	B	B	B	B	B	B	B	B	B	S	S	S
Nominate On-Carrier	B	B	B	B	B	B	B	B	B	B	B	S	S
Arrange On-Carrier	B	B	B	B	B	B	B	B	B	B	B	S	S
Nominate Clearing & Forwarding Agent	B	B	B	B	B	B	B	B	B	B	S	S	S
Load On-Carrier	B	B	B	B	B	B	B	B	B	B	B	S	S
Import Clearance (License)	B	B	B	B	B	B	B	B	B	B	S	B	S
Pay Destination Duty, Taxes, Fees	B	B	B	B	B	B	B	B	B	B	S	B	S
Unload From On-Carrier	B	B	B	B	B	B	B	B	B	B	B	B	B

®
INCOTERMS 2010 QUICK REFERENCE CHART

	<i>Rules for any mode or modes of transport</i>							<i>Rules for sea and inland waterway transport</i>			
	EXW	FCA	CPT	CIP	DAT	DAP	DDP	FAS	FOB	CFR	CIF
	Ex Works	Free Carrier	Carriage Paid To	Carriage & Insurance Paid To	Delivered at Terminal	Delivered at Place	Delivered Duty Paid	Free Alongside Ship	Free on Board	Cost & Freight	Cost, Insurance & Freight
SERVICES	<i>Who Pays</i>	<i>Who Pays</i>	<i>Who Pays</i>	<i>Who Pays</i>	<i>Who Pays</i>	<i>Who Pays</i>	<i>Who Pays</i>	<i>Who Pays</i>	<i>Who Pays</i>	<i>Who Pays</i>	<i>Who Pays</i>
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Marking & Labelling	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Block and Brace	1	1	1	1	1	1	1	1	1	1	1
Export Clearance (License, EEI/AES)	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight Forwarder Documentation Fees	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Inland Freight to Main Carrier	Buyer	2	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Vessel Loading Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Seller	Seller	Seller
Ocean Freight / Air Freight	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Nominate Export Forwarder	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Seller
Marine Insurance	3	3	3	Seller	3	3	3	3	3	3	Seller
Unload Main Carrier Charges	Buyer	Buyer	4	4	Seller	Seller	Seller	Buyer	Buyer	4	4
Destination Terminal Charges	Buyer	Buyer	4	4	4	Seller	Seller	Buyer	Buyer	4	4
Nominate On-Carrier	Buyer	Buyer	5	5	5	5	Seller	Buyer	Buyer	Buyer	Buyer
Security Information Requirements	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Customs Broker Clearance Fees	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Duty, Customs Fees, Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Buyer	Buyer	Buyer
Delivery to Buyer Destination	Buyer	Buyer	5	5	5	5	Seller	Buyer	Buyer	Buyer	Buyer
Delivering Carrier Unloading	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer

- Notes:
- 1** – *Inco-terms® 2010 do not deal with the parties' obligations for stowage within a container and therefore, where relevant, the parties should deal with this in the sales contract.*
 - 2** – *FCA Seller's Facility – Buyer pays inland freight; other FCA qualifiers. Seller arranges and loads pre-carriage carrier and pays inland freight to the "F" delivery place*
 - 3** – *Inco-terms® 2010 does not obligate the buyer nor must the seller to insure the goods, therefore this issue should be addressed elsewhere in the sales contract.*
 - 4** – *Charges paid by Buyer or Seller depending on contract of carriage.*
 - 5** – *Charges paid by Seller if through Bill of Lading or door-to-door rate to Buyer's destination*

8. Can Inco-terms be used in a domestic sales contract?

Inco-terms 2000 have been traditionally used for international sales contracts; Inco-terms 2010 can be used in international as well as in domestic contracts.

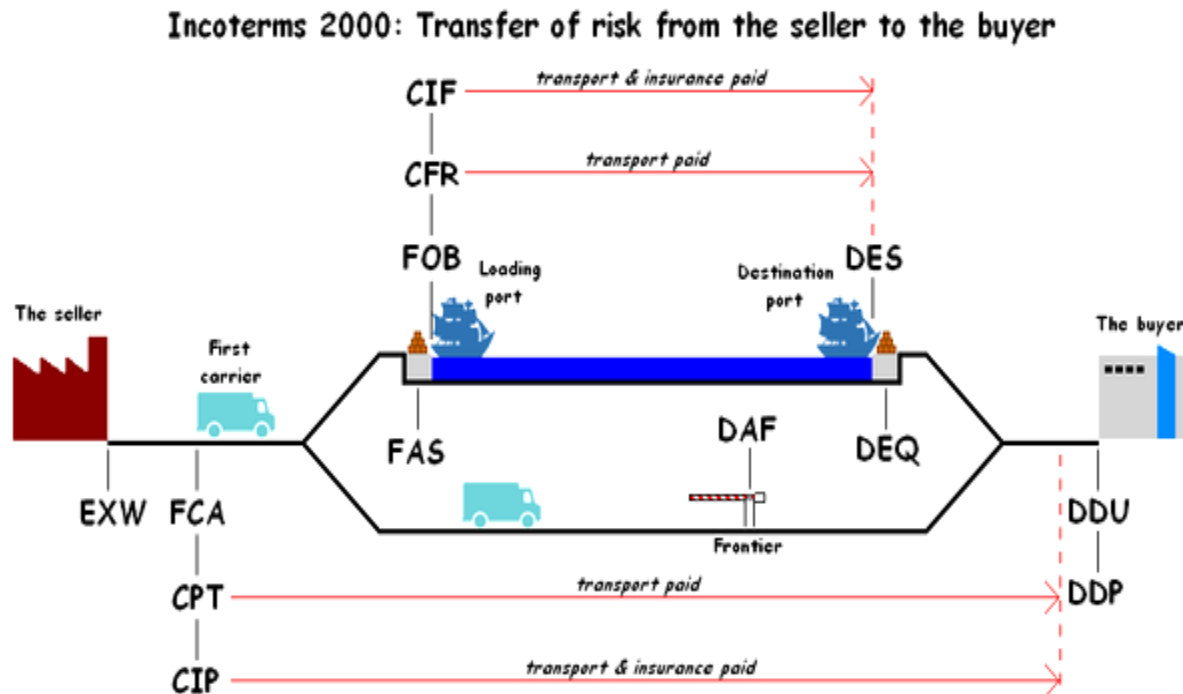
9. How should Inco-terms be denoted in a sales contract?

Inco-terms are denoted using a 3 letter code and a suffix of a named place. The named place is for purposes of clarifying where the goods are to be delivered by the seller. E.g. If one is importing goods from Holland he can use Inco-terms FOB (Rotterdam Port) or CIF (Mombasa Port). The former means that the seller will deliver the goods aboard a named ship at Rotterdam Port whereas the latter means that the responsibility of the seller is to deliver the goods at Mombasa Port.

10. What does passing of risk mean?

Along the transport logistics chain, goods may accidentally get lost or get damaged before being received by the buyer. The passing of risk answers the questions of who bears the loss in the price of the goods i.e. whether it is the buyer that is obliged to pay the price for the goods even when he has not received the goods or whether it is the seller that is obliged to replace the goods that are damaged or lost in transit.

Passing of risk is at the point along the transport logistics chain at which the burden of the loss passes from the seller to the buyer of goods. The passing of risk is sometimes specifically referred to by the buyer and seller in their contract of sale in an attempt to avoid confusion and possible litigation challenges. Depending on the Inco-term used, the passing of risk takes place at different stages along the transport logistics chain.



In the diagram above, the point at which you see the Inco-term written is the point of passing of risk for that Inco-term, i.e. the point at which risk passes from the seller to the buyer. The passing of risk for:

- **FCA, CPT** and **CIP** is when the goods are loaded on the first carrier,
- **FAS** when the goods are deposited at the port of export,
- **FOB, CIF** and **CFR** it is at the point when the goods are loaded on the ship at the port of export,
- **DES** when the goods arrive at the destination sea Port whereas for **DAF** when the goods arrive at the frontier/national border,
- **DEQ** when the goods are offloaded at the Port of destination,
- **DDU** and **DDP** when the goods arrive at the buyers premises/Place named by the buyer in the country of importation.

Division of Costs and Risk between Seller and Buyer under Inco-Terms® 2010

INCO-TERMS 2010	Seller	Export Customs Clearance	Inland Carrier Loaded	Sea/Air/Railway Terminal	Quay	Port of Loading/Loaded on Board	Main Leg of Transport	Port of Discharge	Quay	Import Customs Clearance	Named Place	Sea/Inland Terminal	Buyer
Risk and Cost from Seller to Buyer													
EXW Ex-Works	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
FCA Free Carrier (At Sellers Place)	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
FCA Free Carrier (At Airport)	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
FCA Free Carrier (At Railway Terminal)	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
FAS Free Alongside Ship	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
FOB Free On Board	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
CPT Carriage Paid To	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
CIP Carriage and Insurance Paid To	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
CFR Cost and Freight	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
CIF Cost Insurance and Freight	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
DAP Delivered At Place	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
DAT Delivered At Terminal	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●
DDP Delivered Duty Paid	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●	●●

Sellers Costⁱ
 Sellers Risk
 Buyers Cost
 Buyers Risk

11. Given proper use of Inco-terms does one need a sales contract?

Yes. Inco-terms are an invaluable tool for traders and are used as an international shorthand in commercial agreements (sales contracts) for setting the terms and conditions of each transaction, namely risk of loss and responsibility for delivery.

Inco-terms do not deal with the transfer of title of goods; they are used to help in setting the terms of a transaction. For litigation purposes issues like; who bears the loss? Where the supplier is supposed to deliver the merchandise? Who handles exports and customs clearance? How and when payment for the goods is done, are dealt with by sales contracts which should include the Inco-term.

12. How does the Nation benefit by selling its exports using CIF and buying its imports using FOB?

- Development of local transport and insurance sectors
- Increased revenue for State budgets from taxes on transport and insurance services
- Creation of job opportunities in local companies.
- Reduced expenses in foreign currency thus improving the country's Balance of Payments

13. How do individuals benefit by using appropriate terms?

- In case of CIF: Seller will choose carriage vessels, the seller will be in charge of delivery dates, etc
- The individual has the right to choose positive differences such as;
 - The individual can engage in transport and insurance business
 - The individual can choose trustworthy transporters and insurers
- Buying FOB simply has two major benefits over CIF. You have better control of the freight and the freight cost. Buying FOB gives you a better chance of getting a more competitive freight rate. Using your own freight forwarder will help you obtain more accurate information about your shipment in a timely manner. The freight forwarder can assist you better once a problem arises. The logistic partner you choose always works together with you for your best interest not your suppliers as the case is when you purchase at CIF terms.

14. Why do individuals sell FOB and Buy CIF (unfavorable terms)?

- To free themselves from transport and insurance arrangements
- Customary arrangements or demands by overseas sellers/buyers
- Liquidity problems of most exporters in developing countries, they are constrained to cater for transport logistics especially if the buyer does not pay them in advance
- Local rules or regulations could also be the root cause.
- Importers generally buy CIF if they are new in international trade or they have very small cargo. It is a more convenient way of shipping since they don't have to deal with freight or other shipping details but it comes at an extra cost.

15. What are the disadvantages of selling FOB and buying CIF?

The individual:

- Loses the right to nominate or negotiate terms of carriage or insurance for shipment of goods
- Gets less from sale of goods
- Pays for costs that could have been avoided had he been directly involved in arrangements for shipment
- Consequently pays high price for products purchased.
- When you buy CIF, overseas suppliers might not help you in a timely manner to handle service issues that might develop in transit. Their responsibility ends at the destination port and for any problem, you may have to bear extra demurrage, per diem or unexpected shipping related costs. The communication and information flow might be a hassle, at times even a one days delay can be very costly.
- Furthermore, in the case of cargo imported by air in the East African Community, when you buy CIF you might end up paying duty on the freight charges. The air freight charges are not dutiable; in some cases it is very difficult to separate them from the actual invoice value. The freight costs cannot be estimated, they have to be the actual ones and evidence of payment must be submitted to customs. This is not a problem when you buy FOB since freight charges are not included in the selling price.

16. What is the way forward towards achieving more from the proper use of Inco-terms?

- Competent Authorities in the home country should review various rules and regulations to remove any weaknesses.
- Importers/Exporters in the home country should critically review their terms of sale for the benefit of the trade in the region.
- Empower shippers with relevant knowledge in the use of the various terms.
- Traders should insure their goods using insurance companies in their home country.
- Traders should arrange for sea freight directly through the branch offices of the shipping lines of the traders country. It is easier to negotiate freight charges and also arrange to ship the goods during seasons when the freight rates are low. Some carriers have longer transit time with better rates, and significant cost savings can be made if your shipment is not time sensitive.
- Traders should Import using FOB terms and export Using CIF terms for better control of the freight and freight cost as well as the insurance and insurance cost. You will have more benefits buying FOB over CIF when importing and selling CIF over FOB when exporting. When you buy FOB you can save on costs and when you sell CIF you can make a slightly higher profit through the added profit margins on transport, insurance and other related cargo handling services that the seller provides.

EXPANDED EXPLANATION OF INCOTERMS 2010

The following explanations of international standard trade definitions are useful in outlining risks and responsibilities between buyers and sellers involved in international freight transactions.

Below are the highlights of the Inco-terms 2010 and the changes from Inco-terms 2000.

Inco-terms 2010

The **International Chamber of Commerce (ICC)** devised Inco-terms 2010 which consist of only 11 Inco-terms, a reduction from the 13 Inco-terms 2000.

The Inco-terms 2010 are organized into two categories:

I. Inco-terms for any Mode or Modes of Transport:

- **EXW** - Ex Works
- **FCA** - Free Carrier
- **CPT** - Carriage Paid To
- **CIP** - Carriage and Insurance Paid
- **DAT** - Delivered At Terminal (**new**)
- **DAP** - Delivered At Place (**new**)
- **DDP** - Delivered Duty Paid

II. Inco-terms for Sea and Inland Waterway Transport Only:

- **FAS** - Free Alongside Ship
- **FOB** - Free On Board
- **CFR** - Cost and Freight
- **CIF** - Cost, Insurance and Freight

The reduction in Inco-terms from 13 to 11 different terms was accomplished by substituting **two new Inco-terms**;

1. **DAT (Delivered at Terminal)** for DAF (Delivered at Frontier) and
2. **DAP (Delivered at Place)** for DES (Delivered Ex-Ship), DEQ (Delivered Ex-Quay) and DDU (Delivered Duty Unpaid).

Inco-term **FAS** was retained in Inco-terms 2010 due to its importance in bulk and break-bulk trade.

Inco-terms 2010 also addresses duties to provide information regarding security-related clearances, such as Importer Security Filings and other chain-of-custody information.

The interpretation below is provided only as a guide, for more information refer to Inco-terms 2010, ICC Publication 715.

Inco-terms 2010: Expanded Summary

Note: an Inco-term must be accompanied by a "named place" to indicate the place where the seller delivers the goods for the buyer e.g. FOB "Mumbai", CIF "Mombasa"

EXW
(Ex Works) The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. The seller's obligation is to make the goods available at his premises (workshop, factory, shop, warehouse). This term represents minimum obligation for the seller. This term can be used across all modes of transport.

FCA
(Free Carrier) The seller's obligation is to hand over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. When the seller's assistance is required in making the contract with the carrier the seller may act at the buyers risk and expense. This term can be used across all modes of transport.

FAS
(Free Alongside Ship - named port of shipment) The seller must place the goods alongside the ship at the named port. The seller must clear the goods for export. Suitable only for maritime transport but NOT for multimodal sea transport in containers (see Inco-terms 2010, ICC publication 715). This term is typically used for heavy-lift or bulk cargo.

FOB
(Free On Board - named port of shipment) The seller must load the goods on board the vessel nominated by the buyer. Cost and risk are divided when the goods are actually on board of the vessel (this rule is new!). The seller must clear the goods for export. The term is applicable for maritime and inland waterway transport only but NOT for multimodal sea transport in containers (see Inco-terms 2010, ICC publication 715).

The buyer must instruct the seller the details of the vessel and the port where the goods are to be loaded, and there is no reference to, or provision for, the use of a carrier or forwarder. This term has been greatly misused over the last three decades ever since Inco-terms 1980 explained that FCA should be used for container shipments.

CFR
(Cost and Freight) The seller must pay the costs and freight required in bringing the goods to the named port of destination. The risk of loss or damage is transferred from seller to buyer when the goods pass over the ship's rail in the port of shipment. The seller is required to clear the goods for export. This term should only be used for sea or inland waterway transport.

CPT
(Carriage Paid To) The seller pays the freight for the carriage of goods to the named destination. The risk of loss or damage to the goods occurring after the delivery has been made to the carrier is transferred from the seller to the buyer. This term requires the seller to clear the goods for export and can be used across all modes of transport.

CIP
(Carriage & insurance Paid to) The seller has the same obligations as under CPT but has the responsibility of obtaining insurance against the buyer's risk of loss or damage of goods during the carriage. The seller is required to clear the goods for export however; the seller is only required to obtain insurance on minimum coverage. This term requires the seller to clear the goods for export and can be used across all modes of transport.

CIF
(Cost, Insurance & Freight) The seller has the same obligations as under CFR however he is also required to provide insurance against the buyer's risk of loss or damage to the goods during transit. The seller is required to clear the goods for export. This term should only be used for sea or inland waterway transport.

DAT
(Delivered At Terminal) This is a New Term: The term may be used for all transport modes Seller delivers when the goods, once unloaded from the arriving means of transport are placed at the disposal of the buyer at a named terminal at the named port or place of destination. "Terminal" includes quay, warehouse, container yard or road, rail or air terminal. Both parties should agree the terminal and if possible a point within the terminal at which point the risks will transfer from the seller to the buyer of the goods. If it is intended that the seller is to bear all the costs and responsibilities from the terminal to another point, DAP or DDP may apply.

Responsibilities

- Seller is responsible for the costs and risks to bring the goods to the point specified in the contract.
- Seller should ensure that their forwarding contract mirrors the contract of sale
- Seller is responsible for the export clearance procedures.
- Importer is responsible to clear the goods for import, arrange import customs formalities, and pay import duty
- If the parties intend the seller to bear the risks and costs of taking the goods from the terminal to another place then the DAP term may apply.

DAP

(Delivered At Place)

This is a New Term: The term may be used for all transport modes Seller delivers the goods when they are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. Parties are advised to specify as clearly as possible the point within the agreed place of destination, because risks transfer at this point from seller to buyer. If the seller is responsible for clearing the goods, paying duties etc., consideration should be given to using the DDP term.

Responsibilities

- Seller bears the responsibility and risks to deliver the goods to the named place
- Seller is advised to obtain contracts of carriage that match the contract of sale
- Seller is required to clear the goods for export
- If the seller incurs unloading costs at place of destination, unless previously agreed they are not entitled to recover any such costs
- Importer is responsible for effecting customs clearance, and paying any customs duties

DDP

(Delivered Duty Paid)

The seller is responsible for delivering the goods to the named place in the country of importation, including all costs and risks in bringing the goods to import destination. This includes duties, taxes and customs formalities. This term may be used irrespective of the mode of transport.

NB: Arriving means of transport: Means of transport that carries the goods to the place of delivery agreed by the seller and buyer.

References:

- Inco-terms 2010 by the International Chamber of Commerce ICC Publication 715
- ICC guide to Inco-terms 2010 by Prof. Jan Ramberg ICC Publication 720E
- KALGIN Standard trade definitions used in international freight
- Inco-terms quick reference guide for international shipping by Universal Cargo Management Freight Services.
- The passing of risk by Pace Law School, Institute of International Commercial Law.