



Guide to Incoterms® 2020

Background

The Incoterms® rules are an internationally recognised standard and are used worldwide in international and domestic contracts for the sale of goods. First published in 1936, Incoterms® rules provide internationally accepted definitions and rules of interpretation for most common commercial terms.

The rules have been developed and maintained by experts and practitioners brought together by the International Chamber of Commerce (ICC) and have become the standard in international business rules setting. The ICC last updated the Incoterms® in 2019 with the latest edition published in 2020. They help traders avoid costly misunderstandings by clarifying the tasks, costs and risks involved in the delivery of goods from sellers to buyers. Incoterms® rules are recognised by UNCITRAL as the global standard for the interpretation of the most common terms in foreign trade. The Incoterms® 2020 rules now cover the situation where the buyer or seller transports the goods using their own vehicles, without engaging the services of a third party.

All contracts made under Incoterms® 2010 remain valid even after 2019. Moreover, although we recommend using Incoterms® 2020 after 2019, parties to a contract for the sale of goods can agree to choose any version of the Incoterms® rules after 2019. It is important however to clearly specify the chosen version Incoterms® 2020, 2010, 2000 or any earlier version.



Do

- Incorporate Incoterms® 2020 correctly and insert exact delivery point to avoid confusion – especially in relation to port or terminal areas (e.g. by stating EXW, Delivery Point A, XYZ Ltd Warehouse, Worcester, United Kingdom, Incoterms® 2020)
- Check the routes and delivery procedures your carrier will follow – do they differ from your expected obligations, risks and costs?
- Advise buyers of any returns procedure you have in place
- Consider requirement for insurance of goods when not using CIF/CIP
- Clarify in the contract of sale all points which are not covered by Incoterms® 2020 (i.e. title in the goods)
- Check your terms and trading conditions (could they have a lien over your goods?)
- Check licensing requirements for your goods (in relation to export and import if appropriate)
- Confirm everything in writing

Don't

- Use a term that imposes risks and obligations beyond your control (notably DDP)
- Use EXW if you require proof of export for VAT purposes or if it is more appropriate for you to load goods onto your customers vehicles (FCA may be more suitable in this circumstance)
- Accept an order based on an Incoterms® 2020 rule you do not understand – check your obligations first
- Use unsuitable Incoterms® for the cargo or mode of transport to be used (e.g. using FOB which is for loose cargo only instead of FCA)
- Confuse legal obligations with Incoterms® 2020
- Incoterms® 2020 are not the law, they merely clarify certain responsibilities and obligations
- Use foreign or alternative terms which are not part of Incoterms® 2020 (e.g. FOT, Frei Haus and Franco Domicile). If such alternative terms are used, ensure the contract of sale states each of the parties' obligations and responsibilities



Least obligations on seller



Most obligations on seller

Incoterm®	Obligations for delivery	Risk of loss/damage passes from seller to buyer	Other obligations on seller	Responsibility for delivery costs
EXW – ex works^T	To put goods at the disposal of the Buyer at a named place (i.e. at the Seller's premises).	At Seller's premises once available for collection.	Buyer may request assistance with obtaining export licence.	Buyer covers all delivery costs, including loading the goods onto its own means of transport once goods put at its disposal at named place.
FAS – free alongside ship^W	Goods placed alongside the vessel at the named port of shipment (usually used for goods that are not already loaded into containers at a terminal).	Once the goods have been placed alongside the ship at the nominated loading point.	Clear goods for export.	Seller - to alongside the vessel. Buyer then covers from this point forward.
FCA – free carrier^T	The seller transports the goods to the carrier or to another named person nominated by the Buyer at the agreed point.	Once the goods have been loaded on the Buyer's means of transport at the Seller's premises or elsewhere when goods are put at the carrier's disposal.	Clear goods for export.	Seller - to carrier or named person at agreed point. Buyer then covers from this point forward.
FOB – free on board^W	On board the Buyer's nominated vessel at the named port of shipment (usually used for goods that are not already loaded into containers at a terminal).	Once goods have been loaded onto the vessel.	Clear goods for export.	Seller - to placing on the vessel. Buyer then covers from this point forward.
CFR – cost and freight^W	On board the Buyer's nominated vessel at the named port of shipment (usually used for goods that are not already loaded into containers at a terminal).	Once goods have been loaded onto the vessel.	Clear goods for export, procure contract of carriage to port of destination.	Seller - to port of destination. Buyer then covers from this point forward.
CIF – cost insurance and freight^W	On board the Buyer's nominated vessel at the named port of shipment.	Once goods have been loaded onto the vessel.	Clear goods for export, procure contract of carriage to port of destination and arrange insurance.	Seller - to port of destination. Buyer then covers from this point forward.
CPT – carriage paid to^T	To a carrier at agreed delivery point.	Once the goods have been delivered to the carrier at agreed delivery point.	Clear goods for export, procure contract of carriage to named place of destination.	Seller - to named place of destination. Buyer then covers from this point forward.
CIP – carriage and insurance paid to^T	To a carrier at agreed delivery point.	Once the goods have been delivered to the carrier at agreed delivery point.	Clear goods for export, procure contract of carriage to named place of destination and arrange insurance.	Seller - to named place of destination. Buyer then covers from this point forward.
DPU – delivered at place unloaded^T	Unload and put at disposal at named destination.	On delivery (goods unloaded) at the named point within the named place of destination (must agree "named point" with Buyer).	Clear goods for export, procure contract of carriage to the named place of destination.	Seller - to named destination (after goods unloaded). Buyer then covers from this point forward.
DAP – delivered at place^T	To a named place for unloading.	Once goods have been delivered to the named point at the "named place" of destination, ready for unloading.	Clear goods for export, procure contract of carriage to named place of destination and arrange insurance.	Seller - to named place of destination. Buyer then covers from this point forward.
DDP – delivered duty paid^T	To agreed place (usually Buyer's premises) ready for unloading unless otherwise agreed.	Once the goods have been delivered to agreed place.	Clear goods for export and import within destination country, procure contract of carriage to named place of destination.	Seller covers all delivery costs, all customs formalities, duties, taxes and other charges payable upon import of the goods.

^TRules for any mode or modes of transport

^WRules for sea and inland waterway transport only



The Incoterms® rules

The Incoterms® rules have become an essential part of the daily language of trade. They have been incorporated in contracts for the sale of goods worldwide and provide rules and guidance to importers, exporters, lawyers, transporters, insurers and students of international trade.

Below are short descriptions of the 11 rules from the Incoterms® 2020 edition. These should be read in the context of the full official text of the rules which can be obtained from the ICC website.

These extracts can be reproduced provided that the source is cited and a link to the ICC website is mentioned.

**More information
is available at the
ICC website**



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.

DPU Delivered at Place Unloaded

"Delivered at Place Unloaded" 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 terminal at the named destination. The seller bears all risks involved in bringing the goods to and unloading them at the named destination. Delivery can happen anywhere and not just at a transport "terminal".

DAP Delivered at Place

"Delivered at Place" means that 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.

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.

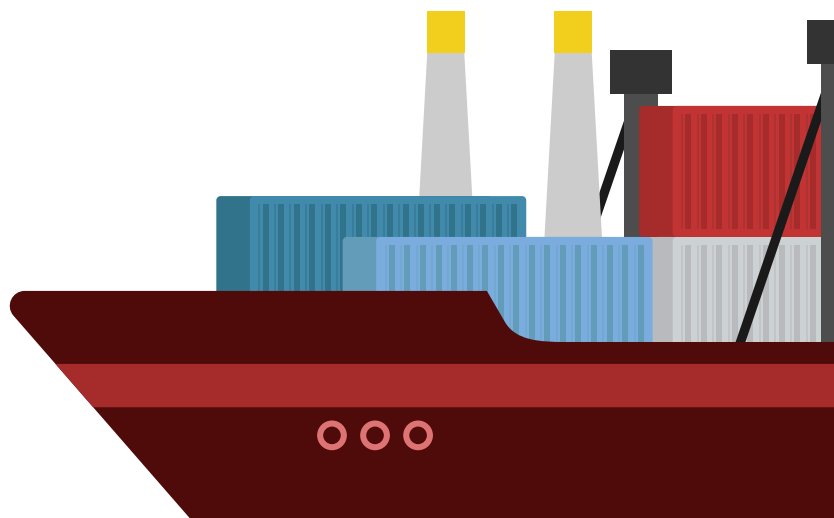
Rules for sea and inland waterway transport

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.

Talk to us today

This has been produced to highlight seller obligations under Incoterms® 2020. The guide can also be used by buyers who may reverse the obligations and risks listed to better understand their responsibilities under Incoterms® 2020.

We would recommend that you obtain a full copy of the Incoterms® 2020 rules via your local Chamber of Commerce or the International Chamber of Commerce website.

For further advice and assistance relating to Incoterms® 2020 or with your contracts of sale please contact us today.

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