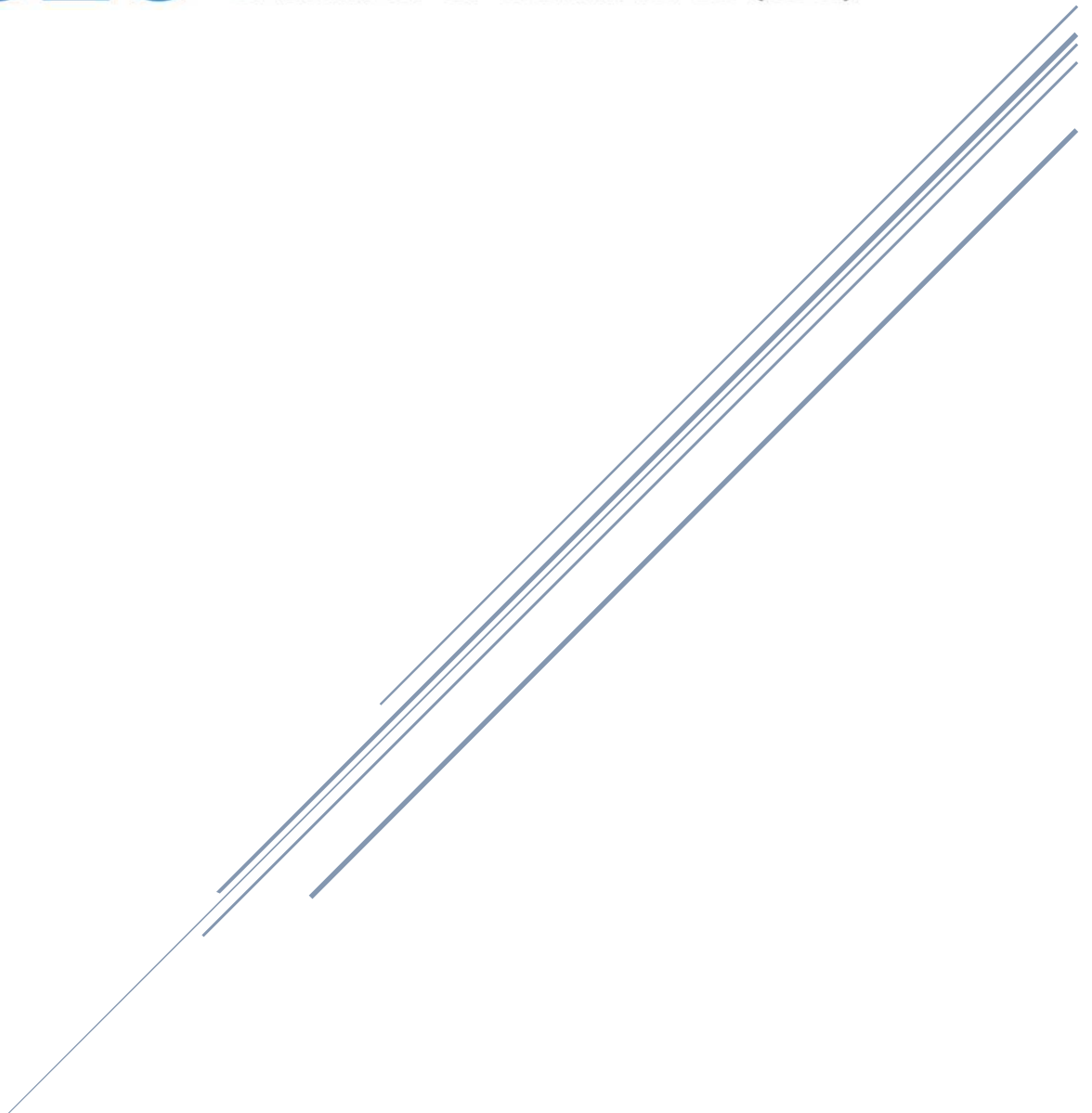


Incoterms[®]

2020 by the International
Chamber of Commerce (ICC)



UMGT

UNIQUE MERCHANT GENERAL TRADING

From 1 January 2020, all imports and exports are regulated by the new Incoterms 2020 rules.

Incoterms are a set of internationally recognized and accepted rules covering the conditions of sale and establishing the rights and responsibilities of both buyer and seller in international trade. Since their inception, Incoterms have been periodically revised and updated to keep them relevant and to adapt them to changes in international trade.

Changes in Incoterms 2020

The main changes in Incoterms 2020 with respect to Incoterms 2010 are:

- The Incoterm **DAT** (Delivered at Terminal) is replaced by **DPU** (Delivered at Place Unloaded). Although this may appear to be merely a name change as the obligations and responsibilities remain the same, in fact, the new **DPU** covers delivery to any agreed place including, but not limited to, delivery at terminal.
- There are new insurance requirements under Incoterms **CIF** and **CIP**.
- In shipping, under the Incoterm **FCA** the buyer can ask the shipping company or their agent to issue a Bill of Lading to the seller with the notation “on board”.

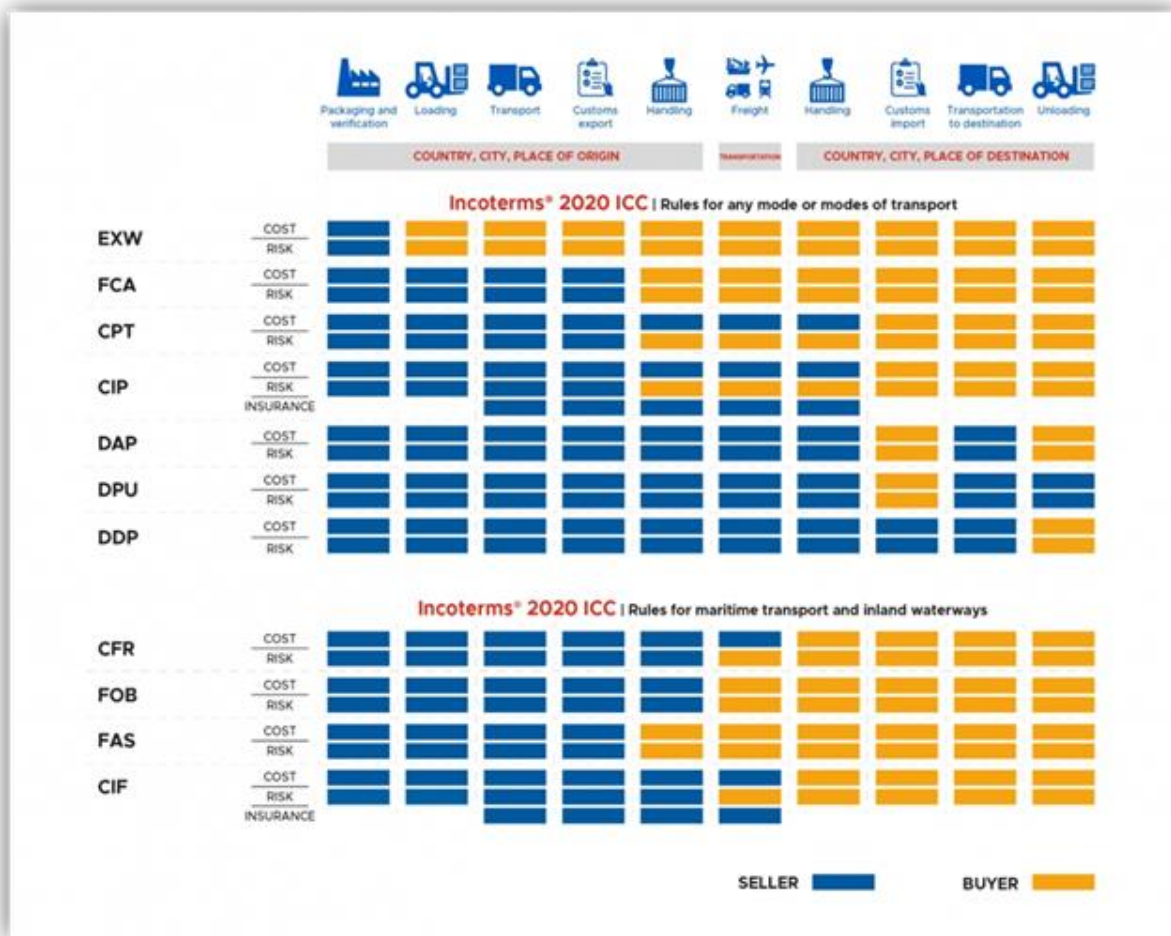
Things to consider when applying Incoterms 2020

- For a House Bill of Lading to be valid it must specify that it be governed by UCP 600 rules regulating documentary credits.
- If it does not specify in the contract of sale that Incoterms 2020 will apply, Incoterms from 2010 or 2000 may be applied.

What are Incoterms 2020?

The following are the Incoterms applicable from 1 January 2020:





EXW (Ex Works)

- The **seller/exporter** makes the goods available to the buyer in their own warehouse and is only responsible for packing the goods.
- The **buyer/importer** therefore bears all of the costs and responsibilities from the moment the goods cross the warehouse prior to loading. Insurance is not mandatory but should it be required it would be taken out by the buyer as they bear the risk.

*This Incoterm should not be used if the seller hands the goods over anywhere other than their own premises.

FCA (Free Carrier)

- The **Seller** delivers the goods to an agreed place and bears the costs and risks up to the point of delivery of those goods at the agreed place, including the cost of export clearance. The seller is responsible for inland transport and export customs clearance unless the designated place is the seller's premises (**FCA** warehouse), in which case the goods are delivered there and loaded onto the means of transport arranged by the buyer at the buyer's expense.
- The **Buyer** bears the costs from loading on board to unloading, including insurance if taken out because they bear the risk when the goods are loaded onto the first means of transport.

*New for FCA, with respect to Incoterms 2010, is that in shipping the buyer can ask their carrier to issue a Bill of Lading to the seller specifying "on board" as proof of delivery of the goods, thus facilitating the use of documentary credits. The credit is afforded to the seller by bank guarantee although they are not party to the contract of carriage.

FAS (Free Alongside Ship)

- The **seller** delivers the goods to the port of origin loading dock and bears the costs up to delivery as well as being responsible for export customs procedures.
- The **Buyer** is responsible for loading on board, stowage, freight and other costs up to delivery at destination, including import clearance and insurance, if taken out as it is not mandatory. The buyer also bears the risk once the goods are in the loading dock prior to being loaded onto the ship.

*This Incoterm is only valid for shipping and is generally used for special goods that have particular loading requirements, not usually for palletized cargo or containers.

FOB (Free On Board)

- The **Seller** bears the costs until the goods are loaded onto the ship, at which point the risks are transferred as well as responsibility for export clearance and costs at origin. The seller also arranges the transport although the buyer bears the cost.
- The **Buyer** is responsible for the cost of freight, unloading, import clearance and delivery at destination as well as insurance should they take it out. The transfer of risk occurs when the goods are on board.



*This Incoterm is only used for shipping. It should not be used for goods in containers because responsibility is transferred when goods are loaded on board the ship (the goods are in physical contact with the ship's deck) and containers are not loaded on entering the terminal, therefore, if the goods were to suffer any damage inside the container it would be very difficult to establish when the damage occurred.

CFR (Cost and Freight)

- The **Seller** is responsible for all costs until the goods arrive at the destination port, including export clearance, costs at origin, freight and usually unloading costs.
- The **Buyer** is responsible for import procedures and transport to destination. They also bear the risks from the moment the goods are on board hence, although it is not mandatory the buyer usually take out insurance.

*This Incoterm is only used in shipping.

CIF (Cost, Insurance and Freight)

- As with CFR, the **Seller** bears all the costs up to arrival at the destination port, including export clearance, costs at origin, freight and usually unloading. However, unlike CFR, the seller must also arrange insurance even though the risks transfer to the buyer once the goods are loaded on board.
- The **Buyer** bears the import and transport to destination costs.

*New in the 2020 version of this Incoterm is that the seller must arrange insurance cover in line with what is stipulated in Institute Cargo Clauses (C). In other words, the goods must be covered until their arrival at the destination port. This Incoterm is only used in shipping. It is widely used as it determines the customs value.

CPT (Carriage Paid To)



- The **Seller** bears the costs until the goods are delivered to an agreed place, i.e., they are responsible for all of the costs at origin, export clearance, the main transport and usually, costs at destination.
- The **Buyer** is responsible for import procedures and insurance if taken out as it is not mandatory. The risk is transferred to the buyer once the goods are loaded onto the first means of transport arranged by the seller.

*This Incoterm is valid for any means of transport.

CIP (Carriage and Insurance Paid To)

- The **Seller** bears the costs up to delivery at an agreed place at destination, i.e., the costs at origin, export clearance, freight and also insurance which is mandatory.
- The **Importer** is responsible for import clearance and delivery at destination and takes on the risk when the goods are loaded onto the first means of transport.

*What is new in this Incoterm with respect to Incoterms 2010 again relates to insurance cover. In this instance, apart from being mandatory, insurance must contain the same coverage as what is stipulated in Institute Cargo Clauses (A), the goods must be insured until their delivery to the carrier at destination.

DPU (Delivered at place Unloaded)

- The **Seller** bears the costs and risks arising at origin, packing, loading, export clearance, freight, unloading at destination and delivery at the agreed point.
- The **Buyer** is responsible for import clearance procedures.

*This Incoterm is new and replaces DAT. In effect, it increases delivery options since DAT stated that delivery must take place at the terminal, whereas with the new DPU delivery can take place at an agreed place other than the terminal.

DAP (Delivered At Place)

- The **Seller** bears all the costs and risks of the operation apart from import clearance and unloading at destination, i.e., all costs at origin, freight and inland transport.
- The **Buyer** is only responsible for import clearance and unloading.

*This Incoterm is valid for all means of transport. Insurance is not mandatory but if taken out the seller bears the cost.

DDP (Delivered Duty Paid)

- The **Seller** bears all costs and risks from packing and checking in their warehouses to delivery at final destination, including export and import clearance, freight and insurance, if taken out.
- The **Buyer** only has to receive the goods and usually unloads them, although this can also be done by the seller.

*This Incoterm is the exact opposite of **EXW**, the seller bears all the costs and risks.