

Incoterms® 2010 by the International Chamber of Commerce (ICC)

Main features of the Incoterms® 2010 rules

1. Two new Incoterms rules – DAT and DAP – have replaced the Incoterms 2000 rules DAF, DES, DEQ and DDU

The number of Incoterms® rules has been reduced from 13 to 11. This has been achieved by substituting two new rules that may be used irrespective of the agreed mode of transport – DAT, Delivered at Terminal, and DAP, Delivered at Place – for the Incoterms® 2000 rules DAF, DES, DEQ and DDU.

Under both new rules, delivery occurs at a named destination: in DAT, at the buyer's disposal unloaded from the arriving vehicle (as under the former DEQ rule); in DAP, likewise at the buyer's disposal, but ready for unloading (as under the former DAF, DES and DDU rules).

The new rules make the Incoterms® 2000 rules DES and DEQ superfluous. The named terminal in DAT may well be in a port, and DAT can therefore safely be used in cases where the Incoterms® 2000 rule DEQ once was. Likewise, the arriving "vehicle" under DAP may well be a ship and the named place of destination may well be a port: consequently, DAP can safely be used in cases where the Incoterms® 2000 rule DES once was. These new rules, like their predecessors, are "delivered", with the seller bearing all the costs (other than those related to import clearance, where applicable) and risks involved in bringing the goods to the named place of destination.

2. Classification of the 11 Incoterms® 2010 rules

The 11 Incoterms® 2010 rules are presented in two distinct classes:

I. RULES FOR ANY MODE OR MODES OF TRANSPORT

RULES	DESCRIPTION	SELLER PAY FOR	BUYER PAY FOR
EXW EX WORKS	Ex works means that the seller delivers when he places the goods at the disposal of the buyer at the seller's premises or another named place (i.e. works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle. This term thus represents the minimum obligation for the seller, and the buyer has to bear all costs and risks involved in taking the goods from the seller's premises. However, if the parties wish the seller to be responsible for the loading of the goods on departure and to bear the risks and all the costs of such loading, this should be made clear by adding explicit wording to this effect in the contract of sale (Refer to Introduction paragraph 11 of the Incoterms® 2010 rules). This term should not be used when the buyer cannot carry out the export formalities directly or indirectly. In such circumstances, the FCA term should be used, provided the seller agrees that he will load at his cost and risk.	<ul style="list-style-type: none"> - Packing suitable for road transport 	<ul style="list-style-type: none"> - Loading charges at Sellers warehouse - Delivery to terminal - Customs clearance for export - Export taxes and duties - Loading on international truck - Freight charges - Terminal charges terminal arrival - Customs clearance for import - Import taxes and duties - Delivery to final destination - Insurance - Unloading at destination
FCA FREE CARRIER	Under this term, the seller delivers the goods cleared for export, on the agreed date or within the agreed period to the carrier or person nominated by the buyer at the named place. The chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If no precise point can be mentioned at the time of the contract of sale, the parties should refer to the place or range where the carrier or the person nominated by the buyer should take delivery of the goods.	<ul style="list-style-type: none"> - Packing suitable for road transport - Loading charges at Sellers warehouse - Customs clearance for export - Export taxes and duties 	<ul style="list-style-type: none"> - Delivery to terminal - Loading on international truck - Freight charges - Terminal charges terminal arrival - Customs clearance for import - Import taxes and duties - Delivery to final destination - Insurance - Unloading at destination

	<p>This term may be used irrespective of the mode of transport (e.g. Ship, Air, Rail, etc.), including, multi-modal transport as container or "roll on - roll off" traffic trailers and ferries.</p>		
<p>CPT CARRIAGE PAID TO</p>	<p>The seller has to clear the goods for export, put the goods in to the custody of the carrier on the agreed date or within the agreed period at the named port of shipment, procure a Bill of Lading in terms usual to the trade and pay freight for the carriage of the goods to the named destination. The seller's obligation to supply the products is fulfilled once the goods have now been delivered in to the custody of the carrier nominated by him. The risks of loss and damage to the goods, along with additional costs occurring from that time forward are transferred from seller to the buyer. "Carrier" means any person by whom or in whose name an agreement of carriage by sea, air, rail, road, inland water way, or a mix of such modes has been made.</p> <p>This term can be utilized for conventional and multi-modal transport as containerized and roll-on roll-off shipments, aside from the mode of transport(e.g. Ship, Air, Rail, Truck).</p>	<ul style="list-style-type: none"> - Packing suitable for road transport - Loading charges - Delivery to terminal - Customs clearance for export - Export taxes and duties - Loading on international truck - Freight charges 	<ul style="list-style-type: none"> - Terminal charges terminal arrival - Customs clearance for import - Import taxes and duties - Delivery to final destination - Insurance - Unloading at destination
<p>CIP CARRIAGE AND INSURANCE PAID TO</p>	<p>This term allows the exporter the greatest control over all aspects of shipment. The term requires the seller to clear the goods for export, put the goods into the custody of the carrier on the agreed date or within the agreed period, at the named port of shipment, and procure a Bill of Lading in terms usual to the trade.</p> <p>The seller must in addition procure a transferable insurance cover against the buyer's risk of loss of or damage to the goods during the carriage together with , pay the freight charges to bring the goods to the named destination.</p> <p>The seller's obligation is fulfilled when the goods have been delivered into the custody of the carrier nominated by him. The potential risk of loss of or damage to the goods, together with additional costs occurring from there forward are transferred from the seller to the buyer.</p> <p>"Carrier" means any person by whom or in whose name a contract of carriage by sea, air, rail, road, inland water way, or a variety of such modes has been made. If subsequent carriers can be used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier.</p> <p>This term can be used for conventional and multi-modal transport as containerized and roll-on roll-off shipments, irrespective of the mode of transport(e.g. Ship, Air, Rail, Truck)</p>	<ul style="list-style-type: none"> - Packing suitable for road transport - Loading charges - Delivery to terminal - Customs clearance for export - Export taxes and duties - Loading on international truck - Freight charges - Insurance 	<ul style="list-style-type: none"> - Terminal charges terminal arrival - Customs clearance for import - Import taxes and duties - Delivery to final destination - Unloading at destination
<p>DAT DELIVERED AT TERMINAL</p>	<p>This rule may be used for every selected mode of transport and multimodal transport. Seller pays for carriage to the named place including unloading at the agreed terminal, except for costs related to import clearance, all risks to bring the goods to the agreed place including discharging the goods are for account of the seller. All risks and after the time of unloading are for the buyer's account. Buyers and Sellers are advised to specify the agreed terminal and place of destination as clearly as possible.</p>	<ul style="list-style-type: none"> - Packing suitable for road transport - Loading charges - Delivery to terminal - Customs clearance for export - Export taxes and duties - Loading on international truck - Freight charges - Terminal charges unloading - Insurance until terminal destination 	<ul style="list-style-type: none"> - Terminal charges after unloading - Customs clearance for import - Import taxes and duties - Delivery to final destination - Insurance from terminal destination - Unloading at destination

<p>DAP DELIVERED AT PLACE</p>	<p>This rule may be used for every selected mode of transport and multi modal transport. Seller pays for carriage to the named place, except for costs related to import clearance, all risks to bring the goods to the agreed place for unloading are for account of the seller. The cost of discharging the goods, including, all risks after the time of delivery are for the buyer's account. Buyers and Sellers are advised to specify the agreed place of destination as clearly as possible.</p>	<ul style="list-style-type: none"> - Packing suitable for road transport - Loading charges - Delivery to terminal - Customs clearance for export - Export taxes and duties - Loading on international truck - Freight charges - Insurance until terminal arrival 	<ul style="list-style-type: none"> - Terminal charges terminal arrival - Customs clearance for import - Import taxes and duties - Delivery to final destination - Insurance from terminal arrival - Unloading at destination
<p>DDP DELIVERED DUTY PAID</p>	<p>Delivered duty paid means that the seller delivers the goods to the buyer, cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller has to bear all the costs and risks involved in bringing the goods thereto including, where applicable (Refer to Introduction paragraph 14 of the Incoterms® 2010 rules), any duty (which term includes the responsibility for and the risk of the carrying out of customs formalities and the payment of formalities, customs duties, taxes and other charges) for import in the country of destination.</p> <p>Whilst the EXW term represents the minimum obligation for the seller, DDP represents the maximum obligation. This term should not be used if the seller is unable directly or indirectly to obtain the import license.</p> <p>However, if the parties wish to exclude from the seller's obligations some of the costs payable upon import of the goods (such as value-added tax : VAT), this should be made clear by adding explicit wording to this effect in the contract of sale (Refer to Introduction paragraph 11 of the Incoterms® 2010 rules).</p>	<ul style="list-style-type: none"> - Packing suitable for road transport - Loading charges - Delivery to terminal - Customs clearance for export - Export taxes and duties - Loading on international truck - Freight charges - Terminal charges terminal arrival - Demurrage storage charges on terminal due to customs clearance. - Customs clearance for import - Import taxes and duties - Delivery to final destination - Insurance 	<ul style="list-style-type: none"> - Unloading at destination

II. RULES FOR SEA AND INLAND WATERWAY TRANSPORT

RULES	DESCRIPTION	SELLER PAY FOR	BUYER PAY FOR
<p>FAS FREE ALONGSIDE SHIP</p>	<p>Free Alongside Ship means that the seller delivers when the goods are placed alongside the vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment. The FAS term requires the seller to clear the goods for export.</p> <p>This term is typically used for heavy-lift or bulk cargo.</p>	<ul style="list-style-type: none"> - Packing suitable for sea freight - Loading charges at Sellers warehouse - Customs clearance for export - Export taxes and duties - Delivery to port departure - Terminal charges until ships hook 	<ul style="list-style-type: none"> - Loading on board - Freight charges - Terminal charges arrival - Customs clearance for import - Import taxes and duties - Delivery to final destination - Insurance - Unloading at destination
<p>FOB FREE ON BOARD</p>	<p>Free on Board means that the seller delivers when the goods pass the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export.</p>	<ul style="list-style-type: none"> - Packing suitable for sea freight - Loading charges at Sellers warehouse - Customs clearance for export - Export taxes and duties - Delivery to port departure - Loading on board 	<ul style="list-style-type: none"> - Freight charges - Terminal charges arrival - Customs clearance for import - Import taxes and duties - Delivery to final destination - Insurance - Unloading at destination

<p>CFR COST AND FREIGHT</p>	<p>Cost and Freight means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination BUT the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. The CFR term requires the seller to clear the goods for export. Don't use CFR for containerised cargo!</p>	<ul style="list-style-type: none"> - Packing suitable for sea freight - Loading charges at Sellers warehouse - Customs clearance for export - Export taxes and duties - Delivery to port departure - Loading on board - Freight charges 	<ul style="list-style-type: none"> - Terminal charges arrival - Customs clearance for import - Import taxes and duties - Delivery to final destination - Insurance - Unloading at destination
<p>CIF COST INSURANCE AND FREIGHT</p>	<p>Seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel (this rule is new!). Maritime transport only included Insurance for the goods.</p>	<ul style="list-style-type: none"> - Packing suitable for sea freight - Loading charges at Sellers warehouse - Customs clearance for export - Export taxes and duties - Delivery to port departure - Loading on board - Freight charges - Insurance for buyer 	<ul style="list-style-type: none"> - Terminal charges arrival - Customs clearance for import - Import taxes and duties - Delivery to final destination - Unloading at destination

The first class includes the seven Incoterms® 2010 rules that can be used irrespective of the mode of transport selected and irrespective of whether one or more than one mode of transport is employed.

EXW, FCA, CPT, CIP, DAT, DAP and DDP belong to this class. They can be used even when there is no maritime transport at all. It is important to remember, however, that these rules can be used in cases where a ship is used for part of the carriage.

In the second class of Incoterms® 2010 rules, the point of delivery and the place to which the goods are carried to the buyer are both ports, hence the label “sea and inland waterway” rules. FAS, FOB, CFR and CIF belong to this class. Under the last three Incoterms rules, all mention of the ship’s rail as the point of delivery has been omitted in preference for the goods being delivered when they are “on board” the vessel. This more closely reflects modern commercial reality and avoids the rather dated image of the risk swinging to and fro across an imaginary perpendicular line.