

INCOTERMS 2015

An overview

International Commercial Terms ('Incoterms') are internationally recognized standard trade terms used in sales contracts. They're used to make sure buyer and seller know:

- Who is responsible for the cost of transporting the goods, including insurance, taxes and duties
- Where the goods should be picked up from and transported to
- Who is responsible for the goods at each step during transportation

The current set of Incoterms is Incoterms 2010. A copy of the full terms is [available from the International Chamber of Commerce](#).

What the terms mean

Incoterms are used in contracts in a 3-letter format followed by the place specified in the contract (e.g. the port or where the goods are to be picked up).

There are different terms for sea and inland waterways (e.g. rivers and canals) compared to all other modes of transport.

For more detail, including terms that were in use before 1 January 2011, please visit the [International Chamber of Commerce \(ICC\) website](#).

There are also [example contracts and clauses](#) available from the ICC.

VAT isn't covered by Incoterms - you need to specify who pays the VAT on both imports and exports.

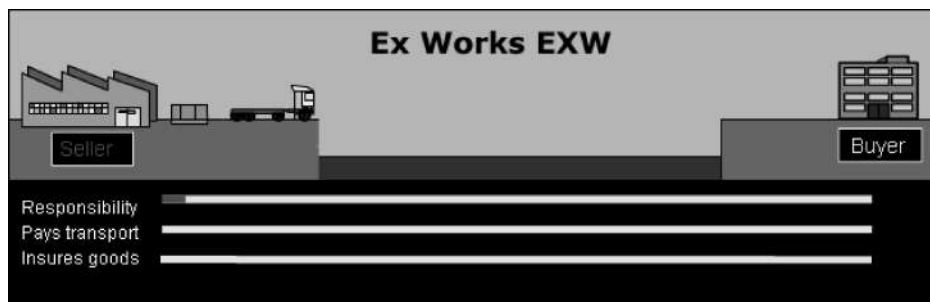
INCOTERMS 2015

EXW ('Ex Works')

The seller makes the goods available to be collected at their premises and the buyer is responsible for all other risks, transportation costs, taxes and duties from that point onwards. This term is commonly used when quoting a price.

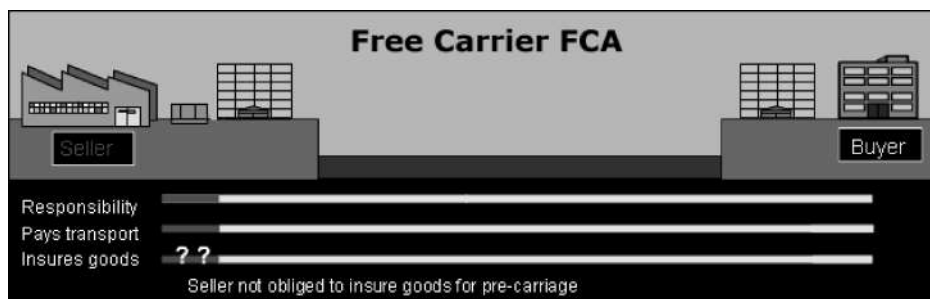
Example

Goods are being picked up by the buyer from the seller's premises in Birmingham. The term used in the contract is 'EXW Birmingham'.



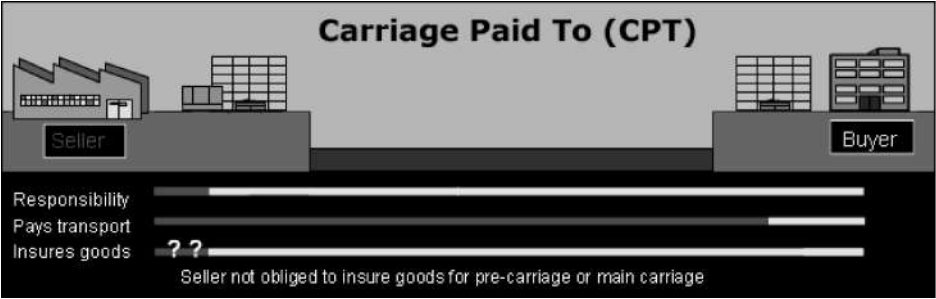
FCA ('Free Carrier')

The seller gives the goods, cleared for export, to the buyer's carrier at a specified place. The buyer is then responsible for getting transported to the specified place of final delivery. This term is commonly used for containers travelling by more than one mode of transport.



CPT ('Carriage Paid To')

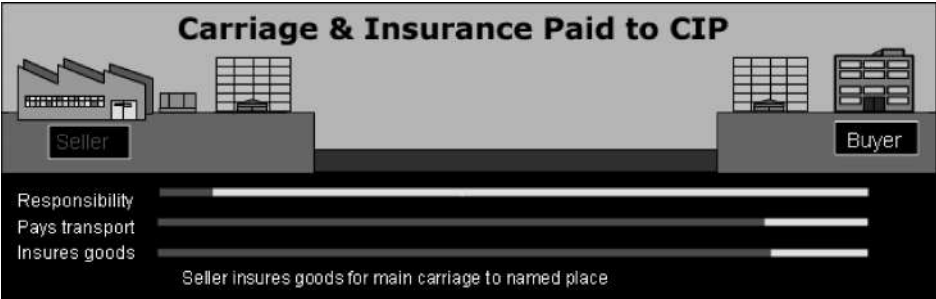
The seller pays to transport the goods to the specified destination. Responsibility for the goods transfers to the buyer when the seller passes them to the first carrier.



CIP ('Carriage and Insurance Paid')

The seller pays for insurance as well as transport to the specified destination. Responsibility for the goods transfers to the buyer when the seller passes them to the first carrier.

CIP ('Carriage and Insurance Paid') is commonly used for goods being transported by container by more than one mode of transport. If transporting only by sea, CIF is often used (see below).



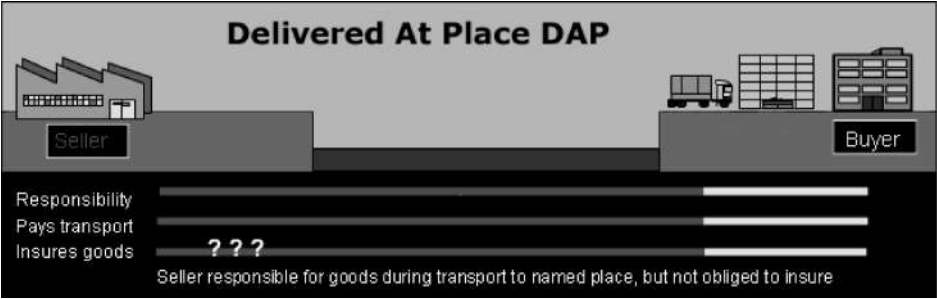
DAT ('Delivered at Terminal')

The seller pays for transport to a specified terminal at the agreed destination. The buyer is responsible for the cost of importing the goods. The buyer takes responsibility once the goods are unloaded at the terminal.



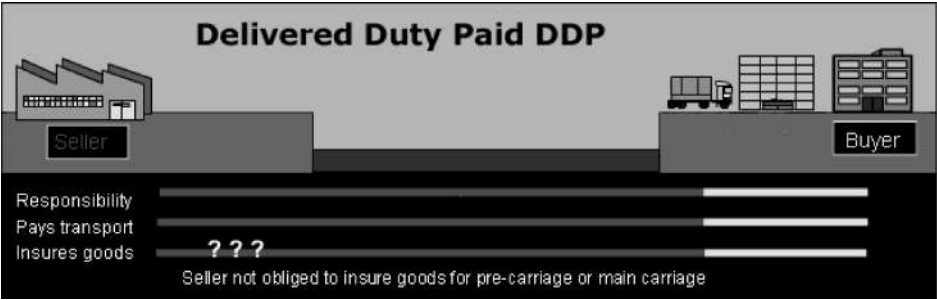
DAP ('Delivered at Place')

The seller pays for transport to the specified destination, but the buyer pays the cost of importing the goods. The seller takes responsibility for the goods until they're ready to be unloaded by the buyer.



DDP/DTP ('Delivered Duty Paid')

The seller is responsible for delivering the goods to the named destination in the buyer's country, including all costs involved.



FAS ('Free Alongside Ship')

The seller puts the goods alongside the ship at the specified port they're going to be shipped from. The seller must get the goods ready for export, but the buyer is responsible for the cost and risk involved in loading them.

This term is commonly used for heavy-lift or bulk cargo (e.g. generators, boats), but not for goods transported in containers by more than one mode of transport (FCA is usually used for this).



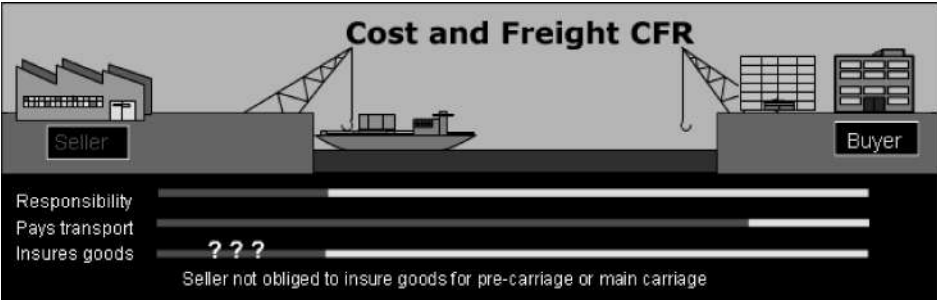
FOB ('Free on Board')

The seller must get the goods ready for export and load them onto the specified ship. The buyer and seller share the costs and risks when the goods are on board. This term is not used for goods transported in containers by more than one mode of transport (FCA is usually used for this).



CFR ('Cost and Freight')

The seller must pay the costs of bringing the goods to the specified port. The buyer is responsible for risks when the goods are loaded onto the ship.



CIF ('Cost, Insurance and Freight')

The seller must pay the costs of bringing the goods to the specified port. They also pay for insurance. The buyer is responsible for risks when the goods are loaded onto the ship.

