

WHAT ARE INCOTERMS

Incoterms, or **International Commercial Terms**, are a series of internationally recognized trade terms that define the responsibilities of buyers and sellers in international transactions.

They are published by the **International Chamber of Commerce (ICC)** and specify the responsibilities of both parties in the delivery of goods, including tasks such as transportation, insurance, and the transfer of risks. Incoterms are widely used in international trade and are a key part of any international sales contract.

WHY BEING FAMILIAR WITH INCOTERMS MATTER?

Incoterms help to **clarify the responsibilities and obligations of both the buyer and the seller** in international trade transactions. Using them ensures that both parties clearly understand who is responsible for the goods or tasks, such as arranging transportation, providing insurance, or paying customs or import duties. This can help to avoid misunderstandings and disputes between the buyer and seller.

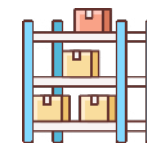
In addition, being familiar with the implications of a given incoterm used in a contract ensures that the buyer and seller **more accurately estimate the transaction cost** and make informed decisions about their purchasing and selling activities. For example, if the seller is responsible for arranging transportation, this will impact the overall cost of the goods.

WHAT IS EX-WORKS (EXW)

The seller is only responsible for making the goods available at their loading area, not for any cost or risk associated with the transportation.

The buyer is responsible for completing the shipment, in other words, for arranging and paying for transportation and additional costs associated with getting the goods to the destination (loading, primary transportation, origin THC, freight, cargo clearance, etc.).

SELLER



BUYER



WHAT IS FREE CARRIER (FCA)

The seller is responsible for handing over and loading the goods onto the carrier (the buyer's nominated person or company) at its premises or another agreed place. The costs and risks associated with the transportation then transfer to the buyer.

The buyer is responsible for completing the shipment. They arrange and pay for transportation and the additional costs associated with getting the goods to the destination once they have been loaded (primary transportation, origin THC, freight, cargo clearance, etc.).

SELLER

BUYER



WHAT IS FREE ON BOARD (FOB)

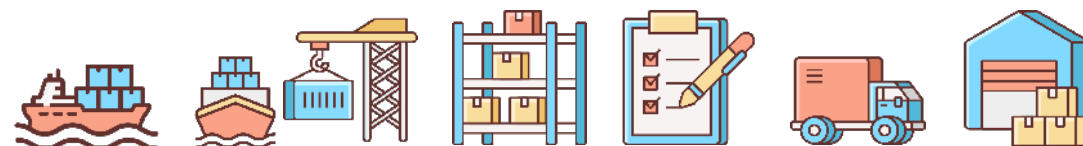
The seller handles the goods until they are loaded onto the shipment vessel, including customs clearance at the port of origin. The risks and costs then transfer from the seller to the buyer.

The buyer is responsible for completing the shipment, including booking the container, insuring the cargo, and receiving it at POD. Ocean freight, handling charges at POD, import clearance charges & duty, if any, are in the buyer's/consignee's account.

SELLER



BUYER



WHAT IS COST INSURANCE & FREIGHT (CIF)

The seller is responsible for handling the goods, the freight charges, and the insurance until the port of destination, including clearing the cargo delivery at the vessel, export customs clearance at origin, if any, booking containers, paying for the freight, and insuring the cargo. Thereafter, the goods are the buyer's responsibility.

The buyer is responsible for handling the goods and charges, including unloading at the destination port and clearing customs at arrival.

SELLER



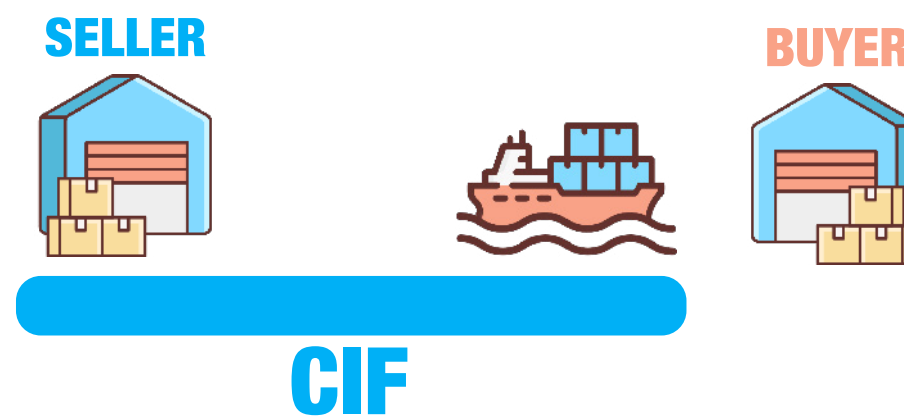
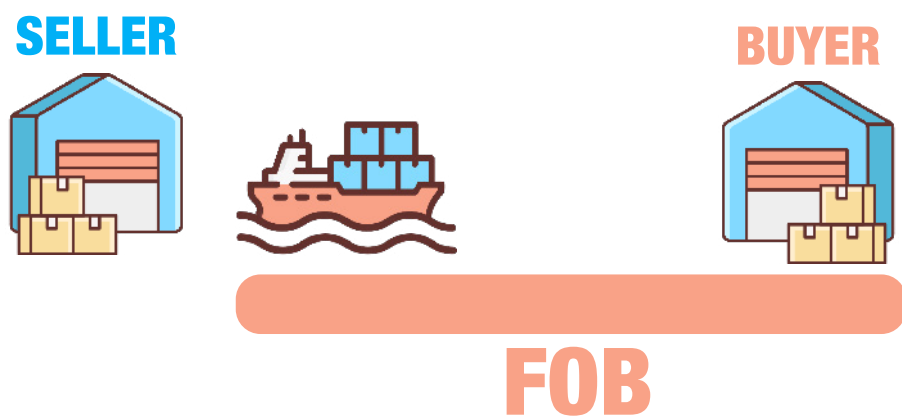
BUYER



THE DIFFERENCE FOB VERSUS CIF

Under **FOB**, the buyer is responsible for the costs and liabilities of transporting the goods once they are shipped.

Under **CIF**, the seller is responsible for the costs and liabilities of transporting the goods until the buyer receives them.



WHAT IS DDP?

Delivered Duty Paid (DDP) is an international trade term (incoterm) that outlines the seller's obligations and responsibilities in the transportation of goods.

The seller assumes full responsibility for delivering the goods to the buyer's specified location, covering all costs and risks involved. This includes export and import duties, taxes, and any other charges related to transporting the goods to the final destination.

The buyer benefits from this arrangement by having minimal responsibilities, as the seller manages the entire shipping process, ensuring the goods are delivered right to their doorstep without additional charges. This incoterm provides a seamless and hassle-free experience for the buyer, making it a preferred choice for those who want to avoid the complexities of international shipping logistics.

SELLER



BUYER



WHAT IS DAP?

Delivered At Place (DAP) is an international trade term (incoterm) that specifies the seller's obligations in delivering goods to a designated location.

The seller is responsible for all costs and risks associated with transporting the goods to the agreed destination, except for import duties and taxes. This includes export duties, transportation costs, and unloading the goods at the destination.

The buyer is responsible for the import customs clearance and any applicable duties and taxes once the goods arrive. This incoterm offers a balanced approach, with the seller handling the majority of the logistics while the buyer takes care of the final import formalities.

SELLER



BUYER



THE DIFFERENCE DDP VS DAP

Import Duties and Taxes: Under DDP, the seller covers import duties and taxes, whereas under DAP, the buyer is responsible for these costs.

Seller's Responsibility: DDP requires the seller to manage the entire shipping process, including import customs clearance, while DAP only requires the seller to handle transportation to the destination, excluding import formalities.

Buyer's Responsibility In DDP, the buyer has minimal responsibilities, mainly receiving the goods. In DAP, the buyer must handle import clearance and associated costs.

	DDP	DAP
Import Duties & Taxes	SELLER	BUYER

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