



International Commercial Terms (Incoterms or Terms of Trade)

The Incoterms, which are also known as terms of trade, are standard trade definitions most commonly used in international sales contracts.

Developed and administered by the International Chamber of Commerce in Paris (ICC),

Incoterms are universally recognized and adhered to by the major trading nations of the world.

Incoterms describe the supplier and buyer's obligations and specify the point when the responsibilities for the transportation costs shift.

There are currently 13 Incoterms in use but we will only explain the Incoterms that are most frequently used in Australian Imports/Exports.

1. EX-WORKS (Ex factory)

Under Ex-works the seller minimizes his risk by only making the goods available at his own premises.

Ex-works represents the minimum involvement of the supplier and the maximum involvement of the buyer in the arrangement of the transportation of the goods from the premises of manufacture to their premises.

Buyers Obligations under the Ex-works term;

- ⇒ _ Inland freight
- ⇒ _ Export customs clearance
- ⇒ _ Origin port charges
- ⇒ _ Payment of customs charges and taxes in Australia
- ⇒ _ Main carriage/freight
- ⇒ _ Cargo (marine) insurance
- ⇒ _ Unloading from the main carrier and port charges
- ⇒ _ Customs clearance in buyers country
- ⇒ _ Payment of customs duties and taxes in buyers country
- ⇒ _ Inland freight in buyers country
- ⇒ _ Other costs and risks in buyers country

2. FOB (Free on Board)

FOB is one of the most common terms used in international trade.

Under FOB the supplier is responsible for delivering goods to the named port, export customs clearance and loading them onto the vessel.

The point of transfer of responsibilities under FOB is described as the point "when the goods pass the ship's rail". That means that if during the loading onto the ship, the goods would fall on the wharf or into the water, the supplier would be responsible for the losses, but if the goods fall on the deck of the ship, the losses are the buyers.

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Buyers Obligations under FOB Terms;

- ⇒ _ Main carriage/freight
- ⇒ _ Cargo (marine) insurance
- ⇒ _ Unloading from the main carrier and port charges
- ⇒ _ Customs clearance in buyers country
- ⇒ _ Payment of customs duties and taxes in buyers country
- ⇒ _ Inland freight in buyers country
- ⇒ _ Other costs and risks in buyers country

3. CFR (formerly C & F changed 1990)

Cost and freight - The supplier is responsible for export customs clearance, delivering the goods to the named port of destination.

4. CIF

Cost, Insurance and Freight - Responsibility of supplier to arrange export customs clearance, delivery of goods to named port of destination and insurance of goods.

Buyers Obligations under the CIF & CRF terms;

- ⇒ _ Customs clearance in buyers country
- ⇒ _ Payment of customs duties and taxes in buyers country
- ⇒ _ Inland freight in buyers country
- ⇒ _ Other costs and risks in buyers country
- ⇒ _ Marine Insurance (CIF only)

5. DDU – Delivered Duty Unpaid

All costs are to the supplier until the goods arrive at the named place of destination.
Duty is paid by the buyer in the buyer's country.

6. DDP – Delivered Duty Paid

This service is basically a door-to door service provided by the supplier where he would bear the entire risk and the entire cost of shipment to buyer's door.

Buyer has no control.

This is the same as DDU except the duty is also paid by shipper.

SERVICES	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAF	DES	DEQ	DDU	DDP
		Free Carrier	Free Along-side Ship	Free On-board Vessel	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered At Frontier	Delivered Ex Ship	Delivered Ex Quay	Delivered Duty Unpaid	Delivered Duty Paid
Warehouse Storage	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Warehouse Labor	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Buyer/Seller*	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Forwarder's Fees	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading On Vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Ocean/Air Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Charges On Arrival At Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Buyer	Buyer	Seller	Seller	Seller
Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery To Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

* There are actually two FCA terms: FCA Seller's Premises where the seller is responsible only for loading the goods and not responsible for inland freight; and FCA Named Place (International Carrier) where the seller is responsible for inland freight.

Copy of Terms as per:

INCOTERMS 2000 are internationally accepted commercial terms defining the respective roles of the buyer and seller in the arrangement of transportation and other responsibilities and clarify when the ownership of the merchandise takes place. They are used in conjunction with a sales agreement or other method of transacting the sale.



- EXW - Ex Works -- Title and risk pass to buyer including payment of all transportation and insurance cost from the seller's door. Used for any mode of transportation.
- FCA - Free Carrier -- Title and risk pass to buyer including transportation and insurance cost when the seller delivers goods cleared for export to the carrier. Seller is obligated to load the goods on the Buyer's collecting vehicle; it is the Buyer's obligation to receive the Seller's arriving vehicle unloaded.
- FAS - Free Alongside Ship -- Title and risk pass to buyer including payment of all transportation and insurance cost once delivered alongside ship by the seller. Used for sea or inland waterway transportation. The export clearance obligation rests with the seller.
- FOB - Free On Board and risk pass to buyer including payment of all transportation and insurance cost once delivered on board the ship by the seller. Used for sea or inland waterway transportation.
- CFR - Cost and Freight -- Title, risk and insurance cost pass to buyer when delivered on board the ship by seller who pays the transportation cost to the destination port. Used for sea or inland waterway transportation.
- CIF - Cost, Insurance and Freight -- Title and risk pass to buyer when delivered on board the ship by seller who pays transportation and insurance cost to destination port. Used for sea or inland waterway transportation.
- CPT - Carriage Paid To -- Title, risk and insurance cost pass to buyer when delivered to carrier by seller who pays transportation cost to destination. Used for any mode of transportation.
- CIP - Carriage and Insurance Paid To -- Title and risk pass to buyer when delivered to carrier by seller who pays transportation and insurance cost to destination. Used for any mode of transportation.
- DAF - Delivered at Frontier -- Title, risk and responsibility for import clearance pass to buyer when delivered to named border point by seller. Used for any mode of transportation.
- DES - Delivered Ex Ship -- Title, risk, responsibility for vessel discharge and import clearance pass to buyer when seller delivers goods on board the ship to destination port. Used for sea or inland waterway transportation.
- DEQ - Delivered Ex Quay (Duty Paid) -- Title and risk pass to buyer when delivered on board the ship at the destination point by the seller who delivers goods on dock at destination point cleared for import. Used for sea or inland waterway transportation. DDU - Delivered Duty Unpaid -- Title, risk and responsibility of import clearance pass to buyer when seller delivers goods to named destination point. Used for any mode of transportation. Buyer is obligated for import clearance.
- DDU - Delivered Duty Unpaid -- Seller fulfills his obligation when goods have been made available at the named place in the country of importation.
- DDP - Delivered Duty Paid -- Title and risk pass to buyer when seller delivers goods to named destination point cleared for import. Used for any mode of transportation.
- *Note:* EXW, CPT, CIP, DAF, DDU and DDP are commonly used for any mode of transportation. FAS, FOB, CFR, CIF, DES, and DEQ are used for sea and inland waterway.