

CHAPTER - 9

INCOTERMS

9.1 Introduction

Since 1936 INCOTERMS, the term used in international documentary credit in respect of mode/style of delivery of goods, have recognised as practical, cost saving tools, used worldwide to smooth international trading practice. When both the parties i.e. buyer and seller, specify the delivery as being according to the INCOTERMS, there need be no disputes arising from that aspect of transactions.

9.2 Categories

In INCOTERMS 2016 the delivery and transportation of goods are grouped into four categories as under:-

1) 'E' Term implies Ex-works, where under, the seller only makes the goods available to the buyer at the seller's own premises. The responsibility of providing the Carrier is that of the buyer.

2) 'F' Term

FCA, FAS and FOB are various clauses of 'F' term under which the seller is called upon to deliver the goods to a carrier appointed by the buyer. The responsibility of providing the carrier is that of the buyer.

3) 'C' Term

CFR, CIF, CPT and CIP are various clauses of 'C' term under which the seller has to contract for carriage, but without assuming the risk of loss or damage of the goods or additional costs due to events occurring after shipment and despatch.

4) 'D' Term

DAT, DAP and DDP are various clauses of 'D' term under which the seller has to bear costs and risks needed to bring the goods to the place of destination.

9.2.1 Ex-Works (or Ex-Factory, Ex-Mill, Ex-Warehouse, etc.)

It usually means that the prices quoted are for the price of goods at seller's premises. The buyer bears all costs and risks involved (including packing) in taking the goods from the seller's premises to the destination.

9.2.2 Ex-works (packing):

It usually means the price of goods plus packing. It is the responsibility of the buyer to bear all the costs and risks involved in taking the goods from the seller's premises to destination.

- 9.2.3 FAS is Free Along Ship. The seller has to place the goods alongside the vessel on the quay or in the lighters at the named port of shipment, during its loading period and pay all charges upto that point.
- 9.2.4 FOB is Free On Board and is widely used terms. FOB prices actually comprise FOB Port Town plus charges incidental to actual shipment of goods but minus ocean freight and marine insurance. The seller's responsibility ends the moment the contracted goods passes ships rail at the port of shipment named in the sales contract. This means that the buyer has to bear all costs and risks of loss or damage to the goods from that point.
- 9.2.5 FCA is "Free Carrier". "Free Carrier" means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. This term may be used irrespective of the mode of transport, including multi-modal transport. "Carrier" means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes. If the buyer nominates a person other than carrier to receive the goods, the seller is deemed to have fulfilled his obligations to deliver the goods when they are delivered to that person.
- 9.2.6 CRF & C&F is Cost & Freight named port of destination. The seller must pay the costs and freight charges necessary to bring the goods to named port of destination, but the risk of loss or damage to the goods as well as other costs due to events occurring after the time of goods have been delivered on board is transferred from seller to buyer when the goods pass the ship's rail in the port of shipment
- 9.2.7 CIF is Cost, Insurance & Freight to the named port of destination. Again one of the most commonly used terms. It is FOB price plus cost of ocean freight and marine insurance upto the port of destination. It is a preferred type of quotation because importer knows what exactly the goods will cost him at his port.
- 9.2.8 CPT is Carriage Paid To (named port of destination). It means that the seller delivered the goods to the carrier nominated by him and the seller must pay the cost of carriage necessary to bring the goods to the named destination. The seller will also provide the buyer necessary information (upon request) for arranging insurance.
- 9.2.9 CIP is Carriage & Insurance Paid to (named place of destination). The seller has the same obligation as under CPT but with the addition that he has to procure cargo insurance against buyer's risk or loss or damage during the carriage. This may be used for any mode of transport (unlike in CIF) including multimode transport.
- 9.2.10 DAT is Delivery At Terminal (named place). Seller bears cost, risk and responsibility until goods are unloaded (delivered) at named quay (wharf), warehouse, yard, or terminal at destination. Demurrage or detention charges may apply to seller. Seller clears goods for exports, not import, DAT replaces DEQ & DES.
- 9.2.11 DDP stands for "Delivered Duty Paid" which means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport, and ready for unloading at the named place of delivery.

9.2.12 DAP is Delivered At Place. Seller bears cost, risk and responsibility of goods until made available to at buyer's port . DAP replaced 'D' Terms DAF & DDU