

Unique Freight Lines Pvt. Ltd



A GUIDE TO INCOTERMS 2011





WHAT IS AN INCOTERM ?

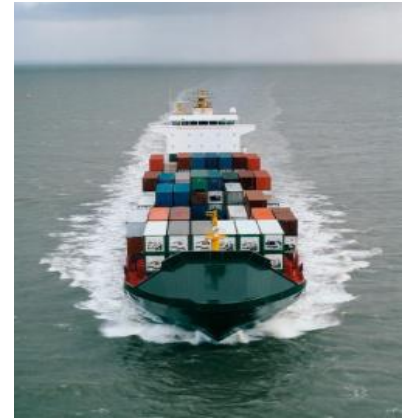
- ❖ Sales term incorporated within the contract of sale
- ❖ It impacts on the contract of carriage
- ❖ Inco terms identify the obligations placed on the parties to the contracts in terms of:
 - Responsibilities relating the costs and the division when shipping the goods
 - Distribution of risks associated with the movement of goods
 - Where these risks transfer to another party

Unique Freight Lines



WHO PAYS FOR WHAT ?

- Goods move across international borders because there has been a sale involving:
 - Seller
 - Buyer
- Contract of sale should define the responsibility of both parties relating to:
 - The physical nature of the goods
 - Movement of the consignment
- Buyers and sellers have various options relating to the movement of the goods regarding:
 - The division of costs
 - Defining each parties responsibility and the transfer of risk



Unique Freight Lines



INCOTERMS 2010

- ❖ Published by the International Chamber of Commerce (ICC) to be used in International transactions
- ❖ First published in 1936
- ❖ Reviewed every 10 years to ensure that they are kept up to date with current trade practices
- ❖ Inco terms 2010 will be effective from January 2011

Unique Freight Lines



SUMMARY OF MAIN CHANGES

Post 1st January 2011 the number of categories has been reduced from four to two.

These categories cover:

- Terms for any mode or modes of transport, or:
- Terms for sea and inland waterway transport

The aim is to assist Inco term users in identifying the correct Terms for their particular requirements



Unique Freight Lines



REDUCTION IN THE NUMBER OF INCO TERMS

Current number of 13 Inco terms will be reduced to 11

The following Inco terms will be removed:

- DAF
- DES
- DEQ
- DDU

The following new Inco terms are being introduced:

- DAT
- DAP

Unique Freight Lines



TERMS FOR ANY MODE OR MODES OF TRANSPORT

These consist of the following seven terms:

- CIP: Carriage and Insurance Paid To
- CPT: Carriage Paid To
- DAP: Delivered At Place
- DAT: Delivered At Terminal
- DDP: Delivered Duty Paid
- EXW: Ex Works
- FCA: Free Carrier
-

All of these terms need to specify the port or destination



Unique Freight Lines



TERMS FOR SEA AND INLAND WATERWAYS

These consist of the following four terms:

CFR: Cost and Freight

CIF: Cost, Insurance and Freight

FAS: Free Alongside Ship

FOB: Free On Board shipment



To the named port of destination



To the named port of shipment



Unique Freight Lines



DELIVERED AT PLACE (DAP) RESPONSIBILITIES

- ❖ Term may be used for all transport modes
- ❖ The seller delivers the goods when they are placed at the disposal of the buyer on the arriving means of transport, ready for unloading at the named place of destination
- ❖ Parties are advised to specify as clearly as possible the point within the agreed place of destination, because risks transfer at this point from seller to buyer
- ❖ If the seller is responsible for clearing the goods, paying duties etc consideration should be given to using the DDP term



Unique Freight Lines



DELIVERED AT PLACE (DAP) RESPONSIBILITIES

Seller bears the responsibility and risks to deliver the goods to the named place

- The seller is advised to obtain contracts of carriage that match the contract
Of sale
- The seller is required to clear the goods for export
- The seller incurs unloading costs at place of destination, unless previously agreed
That they are not entitled to recover any such costs
- Importer is responsible for:
 - Effecting customs clearance
 - Paying any customs duties

Unique Freight Lines



DELIVERED AT TERMINAL (DAT) RESPONSIBILITIES

- ❖ Term may be used for all transport modes
- ❖ Seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination
- ❖ “Terminal” includes quays, warehouses, container yards or road, rail or Air terminals
 - ❖ Both parties should agree the terminal and, if possible, a point within the terminal, at which point the risks will transfer from the seller to the Buyer of the goods
- ❖ If it is intended that the seller is to bear all the costs and responsibilities from The terminal to another point, DAP or DDP may apply



Unique Freight Lines



DELIVERED AT TERMINAL (DAT) RESPONSIBILITIES

The seller is responsible for the costs and risks to bring the goods to the Point specified in the contract

- Seller should ensure that their forwarding contract mirrors the contract of Sale
- The seller is responsible for the export clearance procedures
- Importer is responsible to:
 - Clear the goods for import
 - Arrange import customs formalities
 - Pay import duty
- If the parties intend the seller to bear the risks and costs of taking the goods From the terminal to another place then the DAP or DAT term should be used

Unique Freight Lines