



Incoterms 2020

Free

Ebook

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1. Incoterms

1.1. What are the Incoterms rules?

The Incoterms or International Commercial Terms, are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) relating to international commercial law. They are widely used in international commercial transaction or procurement processes and their use is encouraged by trade councils, courts and international lawyers. A series of three-letter trade terms related to common contractual sales practices, the Incoterms rules are intended primarily to clearly communicate the tasks, costs, and risks associated with the global or international transportation and delivery of goods. Incoterms inform sales contracts defining respective obligations, costs, and risks involved in the delivery of goods from the seller to the buyer, but they do not themselves conclude a contract, determine the price payable, currency or credit terms, govern contract law, or define where title to goods transfers will occur.

The Incoterms rules are accepted by governments, legal authorities, and practitioners worldwide for the interpretation of most commonly used terms in international trade. They are intended to reduce or remove altogether uncertainties arising from differing interpretations of the rules in different countries. As such, they are regularly incorporated into sales contracts worldwide.

2. Incoterms 2020

2.1. What the Incoterms rules do

The Incoterms rules explain a set of eleven of the most commonly used three-letter trade terms, e.g., CIF, DAP, etc., reflecting business-to-business practice in contracts for the sale and purchase of goods.

The Incoterms rules describe:

- Obligations: Who does what as between seller and buyer, e.g., who organizes carriage or insurance of the goods or who obtains shipping documents and export or import licenses;
- Risk: Where and when the seller “delivers” the goods; in other words, where risk transfers from seller to buyer;

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- Costs: Which party is responsible for which cost, for example, transport, packaging, loading or unloading costs, and checking or security-related costs.

2.2. What the Incoterms rules do not do

The Incoterms rules are not in themselves – and are therefore no substitute for – a contract of sale. They are devised to reflect trade practice for no particular type of goods – and for any. They can be used as much for the trading of a bulk cargo of iron or as for five containers of electronic equipment or ten pallets of airfreighted fresh flowers.

The Incoterms rules do not deal with the following matters:

- whether there is a contract of sale at all;
- the specifications of the goods sold;
- the time, place, method, or currency of payment of the price;
- the remedies which can be sought for breach of the contract of sale;
- most consequences of delay and other breaches in the performance of contractual obligations;
- the effect of sanctions;
- the imposition of tariffs;
- export of import prohibitions;
- force majeure or hardship;
- intellectual property rights;
- the method, venue, or law of dispute resolution in case of such breach.

Most importantly, it must be stressed that the Incoterms rules do not deal with the transfer of property/title/ownership of the goods sold.

These are matters for which the parties need to make specific provisions in their contract of sale. Failure to do so is likely to cause problems later if disputes arise about performance and breach. In essence, the Incoterms 2020 rules are not themselves a contract of sale: they only become part of that contract when they are incorporated into a contract which already exists. Neither do the Incoterms rules provide the law applicable to the contract. There may be legal regimes which apply to the contract, whether international, like the Convention on the International Sale of Goods (CISG); or domestic mandatory law relating, for example, to health and safety or the environment.

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2.3. How best to incorporate the Incoterms rules

If parties want the Incoterms 2020 rules to apply to their contract, the safest way to ensure this is to make that intention clear in their contract, through words such as:

“[the chosen Incoterms rules] [named port, place or point] Incoterms 2020”

for example:

CIF Shanghai Incoterms 2020

or

DAP No 123, ABC Street, Importland Incoterms 2020.

Leaving the year out could cause problems that may be difficult to resolve. The parties, a judge, or an arbitrator need to be able to determine which version of the Incoterms rules applies to the contract.

The place named next to the chosen Incoterms rule is even more important:

- in all Incoterms rules except the C rules, the named place indicates where the goods are “delivered”, i.e., where risk transfers from seller to buyer;
- in the D rules, the named place is the place of delivery and also the place of destination and the seller must organize carriage to that point;
- in the C rules, the named place indicates the destination to which the seller must organize and pay for the carriage of the goods, which is not, however, the place or port of delivery.

Thus, an FOB sale raising doubt about the port of shipment leaves both parties uncertain as to where the buyer must present the ship to the seller for the shipment and the transport of the goods – and as to where the seller must deliver the goods on board so as to transfer risk in the goods from seller to buyer. Again, a CPT contract with an unclearly named destination will leave both parties in doubt as to the point to which the seller must contract and pay for the transport of the goods.

It is best to avoid these types of issues by being as geographically specific as possible in naming the port, place, or point, as the case may be, in the chosen Incoterms rule.

2.4. Differences between Incoterms 2010 and Incoterms 2020

The most important initiative behind the Incoterms 2020 rules has been focus on how the presentation could be enhanced to steer users towards the right Incoterms rule for their sale contract. Thus:

- a greater emphasis in the Introduction on making the right choice;

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- a clearer explanation of the demarcation and connection between the sale contract and its ancillary contracts;
- upgraded Guidance Notes presented now as Explanatory Notes to each Incoterms rule;
- a re-ordering within the Incoterms rules giving delivery and risk more prominence.

All these changes, though cosmetic in appearance, are in reality substantial attempts on the part of ICC to assist the international trading community towards smoother export/import transactions.

Apart from these general changes, there are more substantive changes in the Incoterms 2020 rules when compared with Incoterms 2010. Before looking at those changes, mention must be made of a particular development in trade practice which has occurred since 2010 and which ICC has decided should not lead to a change in the Incoterms 2020 rules, namely Verified Gross Mass (VGM).

The significant differences between Incoterms 2010 and Incoterms 2020 include primarily:

- bills of lading with an on-board notation and the FCA Incoterms rule;
- costs, where they are listed;
- different levels of insurance coverage in CIF and CIP;
- arranging for carriage with seller's or buyer's own means of transport in FCA, DAP, DPU, and DDP;
- change in the three-letter initials for DAT do DPU;
- inclusion of security-related requirements within carriage obligations and costs;
- Explanatory Notes for users;

3. Division of Incoterms

Incoterms 2020 are divided into four groups (C, D, E, F). The rules are classified according to the fees, risk, responsibility for formalities, as well as issues related to import and export.

In group C (*Main Carriage Paid*), the seller concludes a transport contract with the forwarder and takes the costs. In this case, the seller is responsible for conducting export clearance. The risk is transferred at the time of posting the goods to the buyer. All matters

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arising after loading costs related to transporting and other events are the buyer's responsibility.

Group C includes the following Incoterms rules: CFR, CIF, CPT, and CIP.

Group D (*Arrival*) assumes that the seller is obliged to deliver the goods to a specific place or the port of destination. This group includes such Incoterms as DAP, DPU, and DDP.

In group E (*Departure*), the seller makes the goods available to the buyer at the delivery point indicated by the seller. The seller is not obliged either to customs or export clearance and does not bear the risk and costs of loading. In group E, there is only Incoterms EXW.

Group F (*Main Carriage Unpaid*) obliges the seller to perform export customs clearance. The seller does not pay transport and insurance costs. FCA, FAS, and FOB belong to this group.

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INCOTERMS 2020



Incoterm	Mode	Costs	Risk	Insurance
EXW Ex Works	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
FCA Free Carrier	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
CPT Carriage paid to	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
CIP Carriage and Insurance Paid to	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
DPU Delivery at Place Unloaded	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
DAP Delivery at Place	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
DDP Delivered Duty Paid	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
FAS Free Alongside Ship	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
FOB Free on Board	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
CFR Cost and Freight	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
CIF Cost, Insurance and Freight	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER
	SELLER	SELLER	BUYER	BUYER

ALL MODES OF TRANSPORT
 SEA AND INLAND WATERWAYS
 COSTS
 RISK
 INSURANCE

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3.1. EXW – *Ex Works* (insert named place of delivery)

Ex Works means that the seller delivers the goods to the buyer:

- when it places the goods at the disposal of the buyer at a named place (like a factory or warehouse), and
- that named place may or may not be the seller's premises.

For delivery to occur, the seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.

This rule may be used irrespective of the mode or modes of transport, if any, selected.

The parties need only name the place of delivery. However, the parties are well-advised also to specify as clearly as possible the precise point within the named place of delivery. A named precise point of delivery makes it clear to both parties when the goods are delivered and when risk transfers to the buyer; such precision also marks the point at which costs are for the buyer's account. If the parties do not name the point of delivery, then they are taken to have left it to the seller to select the point "that best suits its purpose." This means that the buyer may incur the risk that the seller may choose a point just before the point at which goods are lost or damaged. It is best for the buyer therefore to select the precise point within a place where delivery will occur.

EXW is the Incoterms rule which imposes the least set of obligations on the seller. From the buyer's perspective, therefore, the rule should be used with care for different reasons as set out below.

In Incoterms 2020 EXW delivery happens and risk transfers when the goods are placed, **not loaded**, at the buyer's disposal. However, risk of loss or of damage to the goods occurring while the loading operation is carried out by the seller, as it may well be, might arguably lie with the buyer, who has not physically participated in the loading. Given this possibility, it would be advisable, where the seller is to load the goods, for the parties to agree in advance who is to bear the risk of any loss of or damage to the goods during loading. This is a common situation simply because the seller is more likely to have the necessary loading equipment at its own premises or because applicable safety or security rules prevent access to the seller's premises by unauthorized personnel. **Where the buyer is keen to avoid any risk during loading at the seller's premises, then the buyer ought to consider choosing the FCA rule (under which, if the goods are delivered at the seller's premises, the seller owes the buyer an obligation to load, with operation remaining with the seller).**

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Seller has no obligation to organize export clearance of clearance within third countries through which the goods pass in transit. Indeed, EXW may be suitable for domestic trades, where there is no intention at all to export the goods. The seller's participation in export clearance is limited to providing assistance in obtaining such documents and information as the buyer may require for the purpose of exporting the goods. Where the buyer intends to export the goods and where it anticipates difficulty in obtaining export clearance, the buyer would be better advised to choose the FCA rule, under which the obligation and cost of obtaining export clearance lies with the seller.

The seller bears the costs:

- of checking operations (checking quality, measuring, weighing, counting the goods);
- additional, related to the damage to the goods before delivery;
- of packaging and labeling, unless they are not required by the chosen type of transport.

The seller's obligations are presented below:

- The seller delivers the goods to the place specified by the buyer, on the agreed date or within the agreed period.
- The seller delivers the goods together with the commercial invoice in accordance with the contract of sale and any other evidence of conformity with the documents, which were mentioned in the contract (in paper or electronic form).
- At the buyer's request, provides the risk and cost of assistance in obtaining the authorization necessary for the export of goods.
- Notifies the buyer of the date the goods are left at the buyer's disposal.
- Provides the buyer with all assistance in obtaining any documents necessary for completing export, import, or transit clearance formalities.
- The seller provides the buyer with any information necessary for obtaining insurance (at this expense and request).

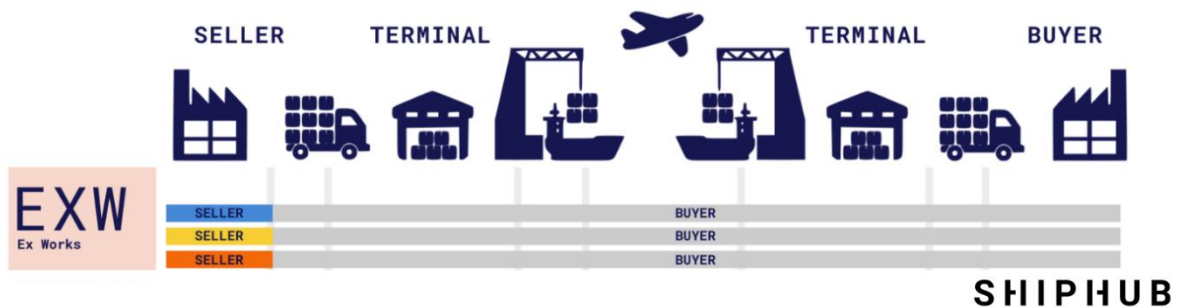
The buyer bears costs:

- related to import, export, and transit clearance formalities;
- related to the goods from the moment of its delivery following the contract by the seller;
- customs duties, taxes, and other charges;
- additional, incurred by failing to take delivery of the goods;
- in addition, the buyer reimburses the seller for the costs incurred by providing to the buyer assistance with documentation for export, import or transit formalities.

The buyer's obligations are described below:

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- The buyer, at his own risk and cost, obtains documentation authorizing him to export and carry out all for export, import, or transit clearance formalities.
- Carriers out all import, export, and transit clearance formalities.
- Organizes the transport of goods from the place of delivery.
- Takes the delivery of the goods and provides the seller with evidence of having taken delivery.
- From the moment the goods are delivered in accordance with the contract, he bears all the costs and risks of the goods.
- Unloads and loads the goods in the export and import port.



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3.2. FCA – *Free Carrier* (insert named place of delivery)

Free Carrier (named place) means that the seller delivers the goods to the buyer in one or other of two ways.

1. First:

- when the named place is the seller's premises, the goods are delivered;
- when they are loaded on the means of transport arranged by the buyer.

2. Second:

- when the named place is another place, the goods are delivered;
- when, having been loaded on the seller's mean of transport;
- they reach the named other place;
- they are ready for unloading from that seller's mean of transport;
- at the disposal of the carrier or of another person nominated by the buyer.

Whichever of the two is chosen as the place of delivery, that place identifies where risk transfers to the buyer and the time from which costs are for the buyer's account.

This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

A sale under Incoterms 2020 FCA can be concluded naming only the place of delivery, either at the seller's premises or elsewhere, without specifying the precise point of delivery within that named place. However, the parties are well-advised also to specify as clearly as possible the precise point within the named place of delivery. A named precise point of delivery makes it clear to both parties when the goods are delivered and when risk transfers to the buyer; such precision also marks the point at which costs are for the buyer's account. Where the precise point is not identified, however, this may cause problems for the buyer. The seller in this cause has the right to select the point "that best suits its purpose": that point becomes the point of delivery, from which risk and costs transfer to the buyer. If the precise point of delivery is not identified by naming it in the contract, then the parties are taken to have left it to the seller to select the point "that best suits its purpose." This means that the buyer may incur the risk that the seller may choose a point just before the point at which goods are lost or damaged. It is best for the buyer therefore to select the precise point within a place where delivery will occur.

Incoterms 2020 FCA requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, to pay any import duty, or to carry out any import customs formalities.

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In Incoterms 2020 FCA, now if goods are being picked up by the buyer's road-haulier in Las Vegas, it would be rather uncommon to expect a bill of lading with an on-board notation to be issued by the carrier from Las Vegas, which is not a port and which a vessel cannot reach for goods to be placed on board. Nonetheless, sellers selling FCA Las Vegas do sometimes find themselves in a situation where they need a bill of lading with an on-board notation (typically because of a bank collection or a letter of credit requirement), albeit necessarily stating that the goods have been placed on board in Los Angeles as well as stating that they were received for carriage in Las Vegas. To cater to this possibility of an FCA seller needing a bill of lading with an on-board notation, FCA Incoterms 2020 has, for the first time, provided the following optional mechanism. If the parties have so agreed in the contract, the buyer must instruct its carrier to issue a bill of lading with an on-board notation to the seller. The carrier may or may not, of course, accede to the buyer's request, given that the carrier is only bound and entitled to issue such a bill of lading once the goods are on board in Los Angeles. However, if and when the bill of lading is issued to the seller by the carrier at the buyer's cost and risk, the seller must provide that same document to the buyer, who will need the bill of lading in order to obtain discharge of the goods from the carrier. This optional mechanism becomes unnecessary, of course, if the parties have agreed that the seller will present to the buyer a bill of lading stating simply that the seller will present to the buyer a bill of lading stating simply that the goods have been received for shipment rather than that they have been shipped on board. Moreover, it should be emphasized that even where this optional mechanism is adopted, the seller is under no obligation to the buyer as to the terms of the contract of carriage. Finally, when this optional mechanism is adopted, the dates of delivery inland and loading on board will necessarily be different, which inland and loading on board will necessarily be different, which may well create difficulties for the seller under a letter of credit.

Using Incoterms 2020 FCA, the seller takes the costs:

- of export clearance;
- of delivering and entrusting the goods to a carrier;
- of obtaining an export license or other authorization, taxes, duties, and additional official export charges;
- of a ban on the export of the products or costs if there are special taxes on its export;
- of providing the document proving the delivery of the goods or equivalent electronic version;
- preparing and sending the commercial invoice or equivalent electronic version;

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- of informing the buyer that the goods have been delivered and entrusted to the carrier or have not been accepted by the carrier at the agreed time;
- of packaging and marking required for transport, unless the goods are generally transported without packaging;
- of quality control, measurement, weighing, and counting.

The main obligations of the seller are presented below:

- The seller has to provide the goods, the commercial invoice, and other evidence of conformity as may be required and specified in the contract.
- Upon request and at the buyer's expense, the seller enables and assists in obtaining a shipping document.
- Appoints a person responsible for loading the goods to the vehicle of the purchaser of the products.
- The seller is responsible for preparing the goods for loading (measurement and packing of the goods).
- He adjusts the goods for export and bears the risks and costs involved.
- At the request of the buyer, he may conclude a contract of carriage on normal terms and conditions at the cost and risk of the buyer.

On the other hand, the buyer takes the costs:

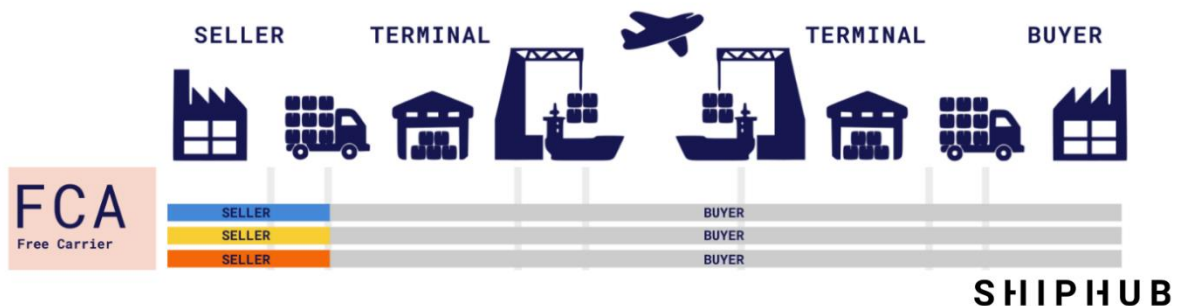
- related to import issues and transport of goods from the moment of delivery to the courier by the seller;
- additional, related to non-compliance with the obligation to take delivery of the goods at the place and time agreed in the contract;
- of obtaining documents or equivalent in electronic form (other than usual delivery notes) issued in the country of consignment and/or origin which are necessary for the buyer to import or transit the goods;
- of informing the seller about the date and place where the goods will be delivered to the carrier;
- related to the transport of the products;
- of unloading the delivered goods from the means of transportation in the terminal of the carrier designated by the buyer;
- relating to the products from the time they are put at the disposal of the carrier designated by the buyer (including customs duties and taxes and other official charges);

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- additional, resulting from not designating a carrier or notifying the seller of the name of the carrier and the designated date when the goods are to be delivered to the carrier;
- of pre-shipment inspection of the goods, unless the authorities compulsorily require this of the exporting country;

The buyer's obligations are presented below:

- The buyer completes the formalities related to the import of goods and their transport from the moment of delivery by the seller to the courier.
- He bears the risk of losing or damaging the products from the moment of delivery to the courier.
- It concludes transport contracts, although the seller may (as an additional service) arrange transport at the expense and risk of the buyer.
- He takes care of all necessary transit formalities and preparing the goods to import.
- The buyer orders transport.
- He takes delivery of the goods at the place agreed upon in the contract in advance.



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3.3. CPT – Carriage Paid To (insert named place of destination)

Carriage Paid To means that the seller delivers the goods – and transfers the risk – to the buyer:

- by handing them over to the carrier;
- contracted by the seller;
- or by procuring the goods so delivered.
- The seller may do so by giving the carrier physical possession of the goods in the manner and at the place appropriate to the means of transport used.

Once the goods have been delivered to the buyer in this way, the seller does not guarantee that the goods will reach the place of destination in sound condition, in the stated quantity, or indeed at all. This is because risk transfers from seller to buyer when the goods are delivered to the buyer by handing them over to the carrier; the seller must nonetheless contract for the carriage of the goods from delivery to the agreed destination. Thus, for example, goods are handed over to a carrier in Las Vegas (which is not a port) for carriage to Southampton (a port) or to Winchester (which is not a port). In either case, delivery transferring risk to the buyer happens in Las Vegas, and the seller must make a contract of carriage to either Southampton or Winchester.

This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

In Incoterms 2020 CPT, two locations are important: the place or point (if any) at which the goods are delivered (for the transfer of risk) and the place or point agreed as the destination of the goods (as the point to which the seller promises to contract for carriage).

The parties are well-advised to identify both places, or indeed points within those places, as precisely as possible in the contract of sale. Identifying the place or point (if any) of delivery as precisely as possible is important to cater to the common situation where several carries are engaged, each for different legs of the transit from delivery to destination. Where this happens and the parties do not agree on a specific place or point of delivery, the default position is that risk transfer when the goods have been delivered to the first carrier at a point entirely of the seller's choosing and over which the buyer has no control. Should the parties wish the risk to transfer at a later stage (e.g., at a sea or river port or at an airport), or indeed an earlier one (e.g. an inland point some way away from a sea or river port), they need to specify this in their contract of sale and to carefully think through the consequences of so doing in case the goods are lost or damaged.

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The parties are also well-advised to identify as precisely as possible in the contract of sale the point within the agreed place of destination, as this is the point to which the seller must contract for carriage and this is the point to which the costs of carriage fall on the seller.

If the seller incurs costs under its contract of carriage related to unloading at the named place of destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.

Incoterms 2020 CPT requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, or to pay any import duty or to carry out any import customs formalities.

Using Incoterms 2020 CPT takes:

- all costs relating to the goods and their transport until delivery to the carrier;
- loading costs (at the carrier) and possible unloading costs;
- transit costs for the buyer's account and the costs of export clearance;
- costs incurred by the buyer related to export formalities.

Main obligations of the seller are presented below:

- Seller provides a commercial invoice and other required documents in paper or electronic form.
- Seller is responsible of delivery of goods to the carrier at the place of delivery on the agreed date or within the agreed period.
- Seller is responsible for damage or loss of goods until they are handed over to the carrier at the named point and within the specified time.
- Seller has to contract or organize the transport of goods to the named place of destination. If such a place does not exist, the seller can choose the point that best suits this purpose.
- One of the seller obligations is operating according to all transport-related security requirements for transport to the destination.
- Seller has to carry out and pay for export clearance, as well as assist the buyer with import clearance.
- Seller counts and weigh goods and, if required, packs the goods at its own expense.
- Seller informs the buyer about the delivery of goods to the carrier and provides the buyer with documents authorizing the buyer to take over the goods.

The seller is not obliged to make a contract of insurance but must provide information for this purpose at the buyer's request.

The buyer takes:

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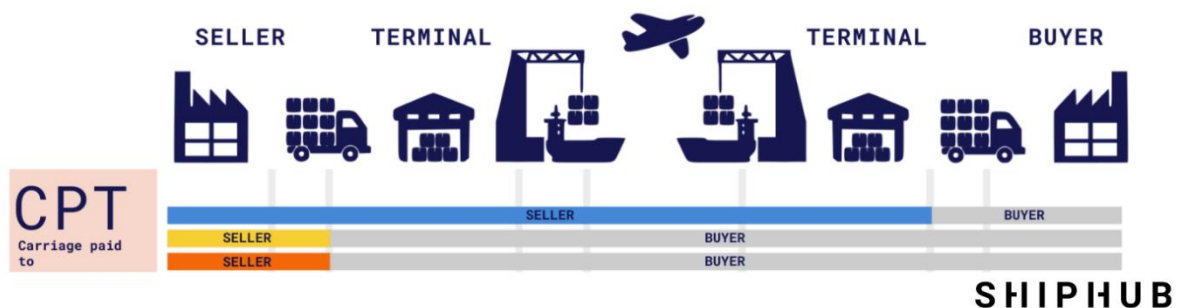
- all costs relating to the goods and their transport from the moment they were handed over to the carrier (excluding the seller's obligations);
- transit costs excluding the seller's obligations stated in the contract of carriage;
- unloading costs, unless it is the seller's obligation stated in the contract of carriage;
- import clearance and transit costs;
- possible costs incurred by the seller related to import formalities.

Obligations of buyer are presented below:

- Buyer takes up the delivery of the goods.
- He takes responsibility for damage or loss of goods from the time they have been handed over to the carrier.
- Buyer accepts documents provided by the seller.
- Buyer has to carry out and pay for import clearance, as well as assist the seller with export clearance.
- He informs the seller about the place and date of delivery.

But it's good to remember that the buyer is not obliged to make a contract of carriage.

He is also not obliged to make a contract of insurance.



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3.4. CIP – *Carriage and Insurance Paid To* (insert named place of destination)

Carriage and Insurance Paid To means that the seller delivers the goods – and transfers the risk – to the buyer:

- by handing them over to the carrier;
- contracted by the seller;
- or by procuring the goods so delivered.
- The seller may do so by giving the carrier physical possession of the goods in the manner and at the place appropriate to the means of transport used.

Once the goods have been delivered to the buyer in this way, the seller does not guarantee that the goods will reach the place of destination in sound condition, in the stated quantity or indeed at all. This is because risk transfers from seller to buyer when the goods are delivered to the buyer by handing them over to the carrier; the seller must nonetheless contract for the carriage of the goods from delivery to the agreed destination. Thus, for example, goods are handed over to a carrier in Las Vegas (which is not a port) for carriage to Southampton (a port) or to Winchester (which is not a port). In either case, delivery transferring risk to the buyer happens in Las Vegas, and the seller must make a contract of carriage to either Southampton or Winchester.

This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

In Incoterms 2020 CIP two locations are important: the place or point at which the goods are delivered (for the transfer of risk) and the place or point agreed as the destination of the goods (as the point to which the seller promises to contract for carriage).

The seller must also contract for insurance cover against the buyer's risk of loss of or damage to the goods from the point of delivery to at least the point of destination. This may cause difficulty where the destination country requires insurance cover to be purchased locally: in this case the parties should consider selling and buying under CPT Incoterms 2020 rule the seller is required to obtain extensive insurance cover complying with Institute Cargo Clauses or similar clause, rather than with the more limited cover under Institute Cargo Clauses. It is, however, still open to the parties to agree on a lower level of cover.

The parties are well advised to identify both places, or indeed point within those places, as precisely as possible in the contract of sale. Identifying the place or point (if any) of delivery

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as precisely as possible is important to cater for the common situation where several carriers are engaged, each for different legs of the transit from delivery to destination. Where this happens and the parties do not agree on a specific place or point of delivery, the default position is that risk transfers when the goods have been delivered to the first carrier at a point entirely of the seller's choosing and over which the buyer has no control. Should the parties wish the risk to transfer at a later stage (e.g. at a sea or river port or at an airport), or indeed an earlier one (e.g. an inland point some way away from a sea or river port), they need to specify this in their contract of sale and to carefully think through the consequences of so doing in case the goods are lost or damaged.

The parties are also well advised to identify as precisely as possible in the contract of sale the point within the agreed place of destination, as this is the point to which the seller must contract for carriage and insurance and this is the point to which the costs of carriage and insurance fall on the seller.

If the seller incurs costs under its contract of carriage related to unloading at the named place of destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.

Incoterms 2020 CIP requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, or to pay any import duty or to carry out any import customs formalities.

Using CIP Incoterms the seller bears:

- export and transit costs (outside the importing country): customs, taxes, export and transit permits, export security clearance and the cost of obtaining all official permits;
- the costs of control activities, such as quality control, measurement, weighing, counting, delivery of appropriately labeled packaging;
- the costs related to the shipment and transport of goods until they are delivered to the buyer;
- the costs of issuing and sending a commercial invoice;
- the costs related to concluding the contract of carriage as well as packaging and labeling costs enabling the carriage of goods;
- the costs of transport insurance and informing the buyer about the delivery and handing over of goods to the carrier;
- unloading costs at the destination, if stated in the contract of carriage.

The seller's obligations are presented below:

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- Seller has to carry out all the duties under the terms of delivery specified in the contract.
- He hands over the goods to the carrier on the agreed date stated in the contract.
- He contracts or organizes the carriage of the goods from the agreed point of delivery to the named place of destination.
- Seller operates according to all transport-related security requirements for transport to the destination.
- He packs and marks the goods.
- He has to assist the buyer in obtaining any documents necessary for transit and import clearance formalities.

On the other hand, the buyer bears:

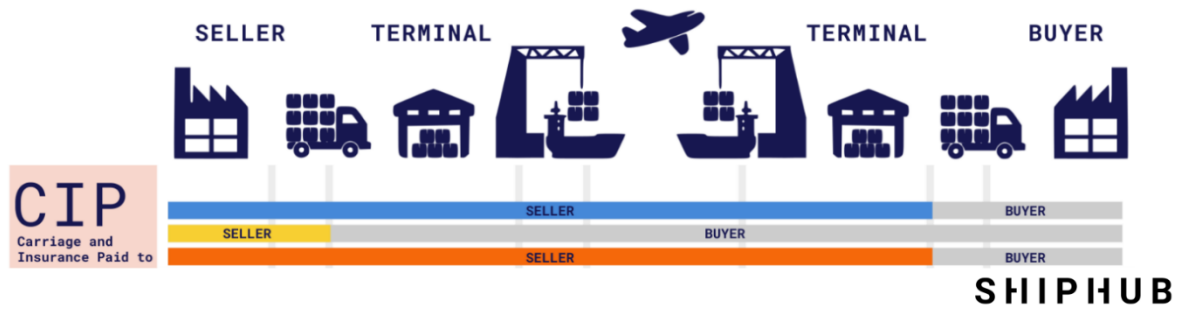
- the costs of import formalities: customs, taxes, import and transit permits, import security clearance and costs obtaining all official permits;
- the costs obtaining any official authorizations;
- the costs of obtaining documents or their equivalent electronic forms that the buyer needs when importing or transiting goods;
- the costs related to the goods from the moment they are delivered on board the vessel;
- any additional costs if the buyer fails to notify the seller of the time of shipment or place of destination;
- the costs of pre-shipment inspection of goods (except when such inspections are required by the authorities of the exporting country);
- the costs of unloading goods, unless the contract of carriage indicates otherwise.

Obligations of the buyers are presented below:

- Buyer takes delivery of the goods.
- He has to carry out and pay for import clearance.
- He obtains documents necessary for import and transit.
- Buyer assists the seller, at his request, risk, and costs in obtaining any documents necessary for the export formalities.

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- He informs the seller about the place and date of delivery.



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3.5. DAP – *Delivered at Place* (insert named place of destination)

Delivered at Place means that the seller delivers the goods – and transfer risk – to the buyer:

- when the goods are placed at the disposal of the buyer;
- on the arriving means of transport ready for unloading;
- at the named place of destination;
- at the agreed point within that place, if any such point is agreed.

The seller bears all risks involved in bringing the goods to the named place of destination or to the agreed point within that place. In this Incoterms rule, therefore, delivery and arrival at destination are the same.

This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

The parties are well advised to specify the destination place or point as clearly as possible and this for several reasons. First, risk of loss or damage to the goods transfers to the buyer at that point of delivery/destination – and it is best for the seller and the buyer to clear about the point at which that critical transfer happens. Secondly, the costs before that place or point of delivery/destination are for the account of the seller and the costs after that place or point are for the account of the buyer. Thirdly, the seller must contract or arrange for the carriage of the goods to the agreed place or point of delivery/destination. If it fails to do so, the seller is in breach of its obligations under the Incoterms DAP rule and will be liable to the buyer for any ensuing loss. Thus, for example, the seller would be responsible for any additional costs levied by the carrier to the buyer for any additional on-carriage.

The seller is not required to unload the goods from the arriving means of transportation. However, if the seller incurs costs under its contract of carriage related to unloading at the place of delivery/destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.

Incoterms 2020 DAP requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for post-delivery transit to clear the goods for import or for post-delivery transit through third countries, to pay any import duty or to carry out any import customs formalities. As a result, if the buyer fails to organize import clearance, the goods will be held up at a port or inland terminal in the destination country. Who bears the risk of any loss that might occur while the goods are thus held up at the port of entry in the destination country? The answer is the buyer, delivery will

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not have occurred yet, ensuring that the risk of loss of or damage to the goods is with the buyer until transit to a named inland point can be resumed. If, in order to avoid this scenario, the parties intend the seller to clear the goods for import, pay any import duty or tax and carry out any import customs formalities, the parties might consider using DDP.

Using DAP Incoterms 2020, the seller takes:

- all costs relating to the goods and their transport until delivery (except for the costs incurred by the buyer);
- possible unloading costs;
- export clearance costs;
- costs of delivery of documents regarding transport.

Obligations of the seller are presented below:

- Seller provides commercial invoice and other required documents in paper or electronic form.
- He delivers goods ready for unloading at a named place and within the specified period.
- He takes responsibility for damage or loss of goods until they are delivered at the agreed point and time.
- The seller's obligation is contracting or organizing the transport of goods at the indicated destination at his own costs. If such a place is not specified, the seller can choose the point the best suits this purpose.
- Seller operates according to all transport-related security requirements for transport to the destination.
- The seller has to carry out and pay for all export and transit clearance, as well as assist the buyer with import clearance.
- He has to count and weigh goods and, if required, pack the goods.
- He provides the buyer with documents authorizing the buyer to take over the goods.
- The seller is not obliged to make a contract of insurance.

The buyers takes:

- costs related to the conclusion of the contract of carriage;
- any costs related to the goods from the moment of their delivery, and possible unloading costs;
- import clearance costs;
- possible costs incurred by the seller related to import formalities.

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Obligations of the buyer are presented below:

- Buyer pays the price of the goods as provided in the contract of sale.
- He takes up the delivery of the goods.
- Buyer has to accept documents provided by the seller for being enabled to take up the goods.
- He takes responsibility for damage or loss of goods from the time they have been delivered.
- Buyer has to carry out and pay for import clearance, as well as assist the seller with export clearance.
- Buyer informs the seller about the designated port/place of delivery, types of means of transport and date of delivery.
- The buyer is not obliged to make a contract of insurance but must provide information for this purpose at the seller's request.



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3.6. DPU – *Delivered at Place Unloaded* (insert named place of destination)

Delivered at Place Unloaded means that the seller delivers the goods – and transfers risk – to the buyer:

- when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named place of destination;
- when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at the agreed point within that place, if any such point is agreed.

The seller bears all risks involved in bringing the goods to and unloading them at the named place of destination. In this Incoterms rule, therefore, the delivery and arrival at destination are the same. **DPU is the only Incoterms rule that requires the seller to unload goods at destination.** The seller should therefore ensure that it is in a position to organize unloading at the named place. **Should the parties intend the seller not to bear the risk and cost of unloading, the DPU rule should be avoided and DAP should be used instead.**

This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

The parties are well advised to specify to the destination place or point as clearly as possible and this for several reasons. First, risk of loss of or damage to the goods transfers to the buyer at the point of delivery/destination – and it is best for the seller and the buyer to be clear about the point at which that critical transfer happens. Secondly, the costs before that place or point of delivery/destination are for the account of the seller and the costs after that place or point are for the account of the buyer. Thirdly, the seller must contract or arrange for the carriage of the goods to the agreed place or point of delivery/destination. If it fails to do so, the seller is in breach of its obligations under this rule and will be liable to the buyer for any ensuing loss. The seller would, for example, be responsible for any additional costs levied by the carrier to the buyer for any additional on-carriage.

Incoterms 2020 DPU requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for post-delivery transit through third countries, to pay any import duty or to carry out any import customs formalities. As a result, if the buyer fails to organize import clearance, the goods will be held up at a port or inland terminal in the destination country. Who bears the risk of any loss that might occur while the goods are thus held up at the port of entry in the destination country? The answer is the buyer: delivery will not have occurred yet, ensuring that the risk of loss of or damage to the goods is with the buyer until transit to a named inland point can be resumed. If, in order to avoid

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this scenario, the parties intend the seller to clear the goods for import, pay any import duty or tax and carry out any import customs formalities, the parties might consider using DDP.

Using Incoterms 2020 DPU, the seller bears:

- export and transit costs (outside the importing country): customs, taxes, export and transit permits, export security clearance and the cost of obtaining all official permits;
- the costs of control activities, such as quality control, measurement, weighing, counting, delivery of appropriately labeled packaging;
- the costs related to shipping and transport of the goods until they are unloaded and delivered to the buyer;
- the costs needed to obtain documents and information related to export and transit clearance;
- the costs related to concluding the contract of carriage.

Main obligations of the seller are presented below:

- The seller has to carry out all the duties under the terms of delivery specified in the contract. This means delivery of the goods along with a commercial invoice in conformity with the contract of sale and other related documents.
- The seller is responsible for unloading goods from arriving means of transport, and then delivering by placing them at the disposal of the buyer at the point agreed in the contract.
- He connects the carriage of the goods.
- He provides the buyer, at his own expense, with all documents necessary to enable the buyer to take over the goods.
- He assists the buyer at the buyer request, risk and cost in obtaining any documents necessary for transit and import clearance formalities.
- The seller packs and marks the goods.
- He informs the buyer about matters related to receiving the goods.
- He unloads goods at the place of delivery.

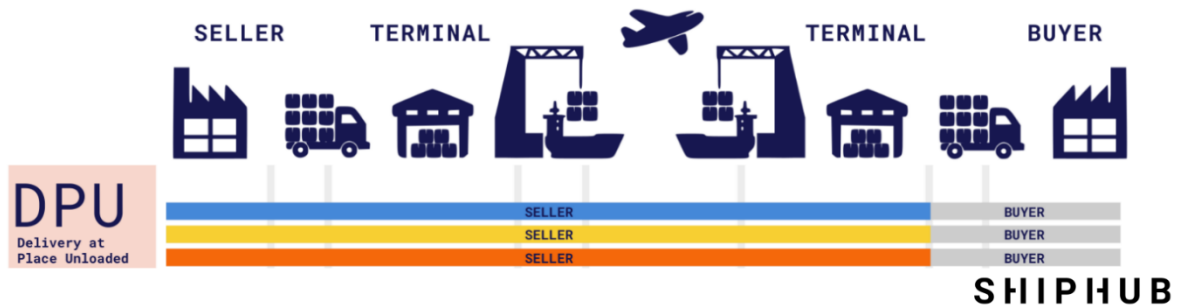
The buyer bears:

- the costs of import formalities: customs, taxes, import permits, import security clearance and costs of obtaining all official permits;
- any additional costs if the buyer fails to fulfill its obligations stated in the contract;
- the costs needed to obtain documents related to import clearance.

Obligations of the buyer are presented below:

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- The buyer assists the seller, at his request, risk and cost, in obtaining any documents necessary for the export and transit clearance formalities.
- He has to carry out and pay for import clearance.
- He informs the seller in advance of all safety requirements related to transport, ship name, loading point and possible delivery date within the period agreed in the contract.



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3.7. DDP – *Delivered Duty Paid* (insert named place of destination)

Delivered Duty Paid means that the seller delivers the goods to the buyer:

- when the goods are placed at the disposal of the buyer, cleared for import, on the arriving means of transport, ready for unloading, at the named place of destination or at the agreed point within that place, if any such point is agreed.

The seller bears all risk involved in bringing the goods to the named place of destination or to the agreed point within that place. In this Incoterms rule, therefore, delivery and arrival at destination are the same.

This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

Incoterms 2020 DDP, with delivery happening at destination and with the seller being responsible for the payment of import duty and applicable taxes is the Incoterms rule imposing on the seller the maximum level of obligation of all eleven Incoterms rules.

The parties are well advised to specify the destination place or point as clearly as possible and this for several reasons. First, risk of loss of or damage to the goods transfers to the buyer at that point of delivery/destination – and it is best for the seller and the buyer to be clear about the point at which that critical transfer happens. Secondly, the costs before that place or point of delivery/destination are for the account of the seller, including the costs of import clearance, and the costs after that place or point, other than the costs of import, are for the account of the buyer. Thirdly, the seller must contract or arrange for the carriage of the goods to the agreed place or point of delivery/destination. If it fails to do so, the seller is in breach of its obligations under the Incoterms rule DDP and will be liable to the buyer for any ensuing loss. Thus, for example, the seller would be responsible for any additional costs levied by the carrier to the buyer for any additional on-carriage.

If the seller incurs costs under its contract of carriage related to unloading at the place of delivery/destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.

DDP requires the seller to clear the goods for export, where applicable, as well as for import and to pay any import duty or to carry out any customs formalities. Thus if the seller is unable to obtain import clearance and would rather leave that side of things in the buyer's hands in the country of import clearance being left to the buyer. There may be tax implications and this tax may not be recoverable from the buyer.

Using Incoterms 2020 DDP, the seller takes:

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- all costs of control activities (quality control, measurement, weighing of goods);
- costs for all formalities related to customs clearance, export, import, and transit. If he is unable to pay for import clearance and would prefer to leave it in the hands of the buyer, then the seller should consider Incoterms DAP or DPU;
- costs for unloading at the destination, if it was included in the contract of carriage (the seller is not entitled to recover these charges unless otherwise was agreed by the parties);
- cost of delivery;
- charges paid by the buyer in connection with the assistance in the provision of documents relating to the transport.

Main obligations of the seller are presented below:

- The seller is obliged to deliver the goods and all necessary documents to a destination agreed upon by both parties and at a specified date (the documents may be in paper or electronic form).
- He must properly pack and label the goods so that they can be transported (unless the parties have agreed otherwise in advance).
- The seller must provide the buyer with all the information/documents required to enable the buyer to take delivery of the goods.

The buyer takes:

- costs of the products according to the contract of sale;
- charges relating to goods after the delivery;
- unloading costs (unless these costs have been taken into account by the seller under the contract of carriage);
- any additional costs incurred by the seller if the buyer does not comply with the obligation to assist in obtaining the necessary documents or if he does not inform the exporter of the time and place of delivery.

Obligations of the buyer are presented below:

- He is obliged to collect the goods.
- The buyer is obliged to assist the seller (at his request) in obtaining all documentation related to import, export and transit.
- If both parties agreed that the buyer is obliged to determine the time and place of delivery, he must also notify the seller in advance.

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- The buyer is not obliged to conclude the insurance contract, but must provide the seller (at his request) the information he needs to obtain insurance.



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3.8. FAS – *Free Alongside Ship* (insert named port of shipment)

Free Alongside Ship means that the seller delivers the goods to the buyer:

- when the goods are placed alongside the ship (e.g. on a quay or a barge), nominated by the buyer, at the named port of shipment or when the seller procures goods already so delivered.

The risk of loss or damage to the goods transfers when the goods are alongside the ship, and the buyer bears all costs from that moment onwards.

This rule is to be used only for sea or inland waterway transport where the parties intend to deliver the goods by placing the goods alongside a vessel. Thus, the FAS rule is not appropriate where goods are handed over to the carrier before they are alongside the vessel, for example where goods are handed over to a carrier at a container terminal. Where this is the case, parties should consider using the FCA rule rather than the FAS rule.

The parties are well advised to specify as clearly as possible the loading point at the named port of shipment where the goods are to be transferred from the quay or barge to the ship, as the costs and risk to that point are for the account of the seller and these costs and associated handling charges may vary according to the practice of the port.

Incoterms 2020 FAS requires the seller to clear the goods for export, where applicable. However, the seller has no obligations to clear the goods for import or for transit through third countries, to pay any import duty or to carry out any import customs formalities.

Using FAS, the seller bears:

- the costs of export formalities: customs, taxes, export authorization, export security clearance and the cost of obtaining all official permits;
- the costs of providing the buyer with proof that the goods have been delivered under the contract;
- the costs related to the shipment of goods until they are delivered;
- the costs of control activities, such as quality control, measurement, weighing, counting, delivery of appropriately labeled packaging.

Obligations of the seller are presented below:

- The seller has to carry out all the duties under the terms of delivery specified in the contract. This means delivery of the goods along with a commercial invoice in conformity with the contract of sale and other related documents.

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- He delivers goods by placing them alongside the ship within the prior specified period and at the named port indicated by the buyer.
- He informs the buyer in advance of the delivery of the goods.
- He provides at his own expense a document confirming delivery of the goods to the buyer. If such proof is a transport document, the seller must assist the buyer, at his request, risk, and cost, in obtaining it.
- The seller assists the buyer at the buyers request, risk and cost in obtaining any documents necessary for transit and import clearance formalities.
- He packs and marks the goods.
- He operates according to all transport-related requirements until delivery of the goods to the buyer.

On the other hand, the buyer bears:

- the costs of import and transit formalities: customs, taxes, import permit, import security clearance and costs of obtaining all official permits;
- the costs of obtaining the contract of carriage;
- any additional costs if the buyer to fulfill its obligations;
- the costs related to the conclusion of the contract of carriage.

The buyer's obligations are presented below:

- He concludes the contract of carriage from the named port of shipment, except where the contract of carriage is made by the seller (at the buyer's expense and risk).
- He assists the seller, at his request, risk and cost, in obtaining any documents necessary for the export clearance formalities.
- The buyer must notify the seller in advance of any safety requirements related to transport, ship name, loading point and the delivery date within the period agreed in the contract.



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3.9. FOB – *Free On Board* (insert named port of shipment)

Free on Board means that the seller delivers the goods to the buyer:

- on board the vessel, nominated by the buyer, at the named port of shipment or procures the goods already so delivered.

The risk of loss or damage to the goods transfers when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.

This rule is to be used only for sea or inland waterway transport where the parties intend to deliver the goods by placing the goods on board a vessel. Thus, the FOB rule is not appropriate where goods are handed over to the carrier before they are on board the vessel, for example where goods are handed over to a carrier at a container terminal. Where this is the case, parties should consider using the FCA rule rather than the FOB rule.

FOB requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, to pay any import duty or to carry out any import formalities.

Using Incoterms 2020 FOB, the seller takes the cost:

- of export clearance;
- of delivering the goods to the ship;
- associated with damage to the goods before loading them to the vessel.

Main obligations of the seller are presented below:

- The seller has to deliver the goods to the vessel at the place designated by the buyer. He also has to bear the costs involved.
- He obtains permission to export products.
- The seller shall be fully liable for any damage to the goods before loading to the vessel.
- He informs the buyer that the goods have been delivered to the ship.
- He delivers sales notes.
- The seller is responsible for the export clearance and related costs.

On the other hand, buyer takes the cost:

- connected with the conclusion of a transport contract;
- related to import issues;
- of import clearance;
- related to damage or theft of the goods after loading the products onboard.

Main obligations of the buyer are presented below:

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- The buyers is responsible for any damage to the goods and theft after the goods have been loaded into the ship.
- He bears the costs related to the conclusion of the transport contract and import issues.
- He shall inform the seller about designated port, the name of the vessel and the delivery date.
- He organizes import clearance and bears the associated costs.



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3.10. CFR – *Cost and Freight* (insert named port of destination)

Cost and Freight means that the seller delivers the goods to the buyer

- on board the vessel
- or procures the goods already so delivered.

The risk of loss of or damage to the goods transfers when the goods are on board the vessel, such that the seller is taken to have performed its obligation to deliver the goods whether or not the goods actually arrive at their destination in sound condition, in the stated quantity or, indeed, at all. In CFR, the seller owes no obligation to the buyer to purchase insurance cover: the buyer would be well-advised therefore to purchase some cover for itself.

The Incoterms 2020 CFR rule is to be used only for sea or inland waterway transport. Where more than one mode of transport is to be used, which will commonly be the case where goods are handed over to a carrier at a container terminal, the appropriate rule to use is CPT rather than CFR.

In CFR, two ports are important: the port where the goods are delivered on board the vessel and the port agreed as the destination of the goods. Risk transfers from seller to buyer when the goods are delivered to the buyer by placing them on board the vessel at the shipment port or by procuring the goods already so delivered. However, the seller must contract for the carriage of the goods from delivery to the agreed destination. Thus, for example, goods are placed on board a vessel in Shanghai (which is a port) for carriage to Southampton (also a port). Delivery here happens when the goods are on board in Shanghai, with risk transferring to the buyer at that time; and the seller must make a contract of carriage from Shanghai to Southampton.

While the contract will always specify a destination port, it might not specify the port of shipment, which is where risk transfers to the buyer. If the shipment port is of particular interest to the buyer, as it may be, for example, where the buyer wishes to ascertain that the freight element of the price is reasonable, the parties are well advised to identify it as precisely as possible in the contract.

The parties are well advised to identify as precisely as possible the point at the named port of destination, as the costs to that point are for the account of the seller. The seller must make a contract or contracts of carriage that cover the transit of the goods from delivery to the named port or to the agreed point within that port where such a point has been agreed in the contract of sale.

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It is possible that carriage is effected through several carriers for different legs of the sea transport, for example, first by a carrier operating a feeder vessel from Hong Kong to Shanghai, and then onto an ocean vessel from Shanghai to Southampton. The question which arises here is whether risk transfers from seller to buyer at Hong Kong or at Shanghai: where does delivery take place? The parties may well have agreed this in the sale contract itself. Where, however, there is no such agreement, the default position is that risk transfers when the goods have been delivered to the first carrier, i.e. Hong Kong, thus increasing the period during which the buyer incurs the risk of loss or damage. Should the parties wish the risk to transfer at a later stage (here, Shanghai) they need to specify this in their contract of sale.

If the seller incurs costs under its contract of carriage related to unloading at the specified point at the port of destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.

CFR requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, to pay any import duty or to carry out any import customs formalities.

Using Incoterms 2020 CFR the seller bears:

- tax costs in the country where the goods were manufactured;
- port charges at the port of departure;
- costs of transporting goods to the port;
- costs of obtaining an export license;
- customs duties and taxes in the country of departure;
- costs of goods quality control, weighing, measuring and counting the goods, which is necessary before loading the goods onto the vessel;
- costs of providing the transport documents issued to the port of destination and its electronic copy;
- transit costs that were on the seller's account under the contract of carriage;
- costs of security clearance for export, as well as safe and appropriately labeled packaging of the goods.

Main obligations of the seller are presented below:

- Seller is responsible of loading at the starting point of transport.
- He has to make a contract for carriage.
- Seller delivers the goods on board the vessel along with a commercial invoice in the place indicated by the buyer, as well as bears the costs related to it.

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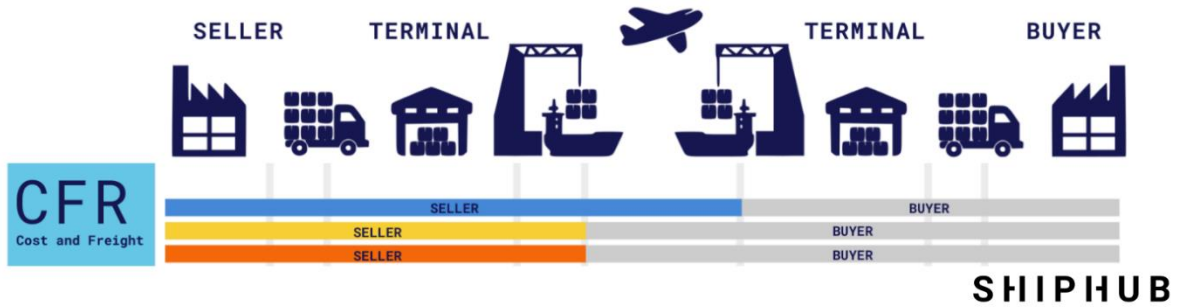
- Seller controls the quality of goods, weighs, measures and counts the goods – necessary before loading the goods onto the ship.
- He is responsible of safe packaging of goods necessary for transport to avoid unnecessary risk.
- Seller operates according to all transport-related security requirements for transport to the destination.
- He provides a transport document issued to the destination port of the goods and its copy in electronic form.
- He provides information to the buyer at his expense and risk needed to obtain insurance.
The buyer bears:
 - tax costs in the destination country;
 - insurance costs during transport;
 - transport costs from the home port to the main office;
 - the costs of obtaining the import license necessary for the transaction and the costs related to import clearance;
 - customs charges in transit countries and in the destination country;
 - charges resulting from a pre-shipment inspection of goods, unless this is required in the country from which the goods are shipped;
 - the cost of notifying the seller of the required shipping date and port of destination;
 - all charges related to transit, unless stated otherwise in the contract of carriage;
 - unloading costs, unless stated otherwise in the contract of carriage.

Main obligations of the buyer are presented below:

- The buyer takes up the delivery at the time and place specified in the contract.
- He transports the goods from the named port of destination to the main office and unloading at the port.
- The buyer informs the seller about the port of destination and date of delivery.
- The buyer obtains the import license necessary for the transaction and bears the costs of carrying out customs clearance.

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- He has to carry out pre-shipment controls of the goods (if it is required in the country from which the goods are shipped).



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3.11. CIF – *Cost Insurance and Freight* (insert named port of destination)

Cost Insurance and Freight means that the seller delivers the goods to the buyer on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods transfers when the goods are on board the vessel, such that the seller is taken to have performed its obligation to deliver the goods whether or not the goods actually arrive at their destination in sound condition, in the stated quantity or, indeed, at all.

This rule is to be used only for sea or inland waterway transport. Where more than one mode of transport is to be used, which will commonly be the case where goods are handed over to a carrier at a container terminal, the appropriate rule to use is CIP rather than CIF.

In Incoterms 2020 CIF, two ports are important: the port where the goods are delivered on board the vessel and the port agreed as the destination of the goods. Risk transfers from seller to buyer when the goods are delivered to the buyer by placing them on board the vessel at the shipment port or by procuring the goods already so delivered. However, the seller must contract for the carriage of the goods from delivery to the agreed destination. Thus, for example, goods are placed on board a vessel in Shanghai (which is a port) for carriage to Southampton (also a port). Delivery here happens when the goods are on board in Shanghai, with risk transferring to the buyer at that time: and the seller must make a contract of carriage from Shanghai to Southampton.

While the contract will always specify a destination port, it might not specify the port of shipment, which is where risk transfers to the buyer. If the shipment port is of particular interest to the buyer, as it may be, for example, where the buyer wishes to ascertain that the freight or the insurance element of the price is reasonable, the parties are well advised to identify it as precisely as possible in the contract.

The parties are well advised to identify as precisely as possible the point at the named port of destination, as the costs to that point are for the account of the seller. The seller must make a contract or contracts of carriage that cover the transit of the goods from delivery to the named port or to the agreed point within that port where such a point has been agreed in the contract of sale.

It is possible that carriage is effected through several carries for different legs of the sea transport, for example, first by a carrier operating a feeder vessel from Hong Kong to Shanghai, and then onto an ocean vessel from Shanghai to Southampton. The question which arises here is whether risk transfers from seller to buyer at Hong Kong or at Shanghai: where does delivery take place? The parties may well have agreed this in the sale contract itself. Where, however,

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there is no such agreement, the default position is that risk transfers when the goods have been delivered to the first carrier, i.e. Hong Kong, thus increasing the period during which the buyer incurs the risk of loss or damage. Should the parties wish the risk to transfer at a later stage (here, Shanghai) they need to specify this in their contract of sale.

The seller must also contract for insurance cover against the buyer's risk of loss of or damage to the goods from the port of shipment to at least the port of destination. This may cause difficulty where the destination country requires insurance cover to be purchased locally: in this case the parties should consider selling and buying under CFR. The buyer should also note that under the Incoterms 2020 CIF rule the seller is required to obtain limited insurance cover complying with Institute Cargo Clauses or similar clauses, rather than with the more extensive cover under Institute Cargo Clauses. It is, however, still open to the parties to agree on a higher level of cover.

If the seller incurs costs under its contract of carriage related to unloading at the specified point at the port of destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.

CIF requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, to pay any import duty or to carry out any import customs formalities.

Using Incoterms 2020 CIF, seller takes the costs:

- of export clearance;
- of delivering the goods to the ship;
- of issuing and sending the commercial invoice;
- of obtaining an export license or other authorizations;
- of concluding the contract of carriage;
- of insurance;
- of packaging and marking the products;
- of giving information to the buyer (e.g., the goods have been delivered to the ship);
- of quality control (measurement, weighing, counting).

The seller's obligations are presented below:

- The seller is obliged to conclude a contract of carriage to a designated port of shipment at his own expense.
- He concludes and pays the freight contract costs.
- The seller is responsible for the loading the goods on the vessel.

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- The seller is obliged to conclude an insurance agreement (with minimum coverage) and deliver it to the buyer.

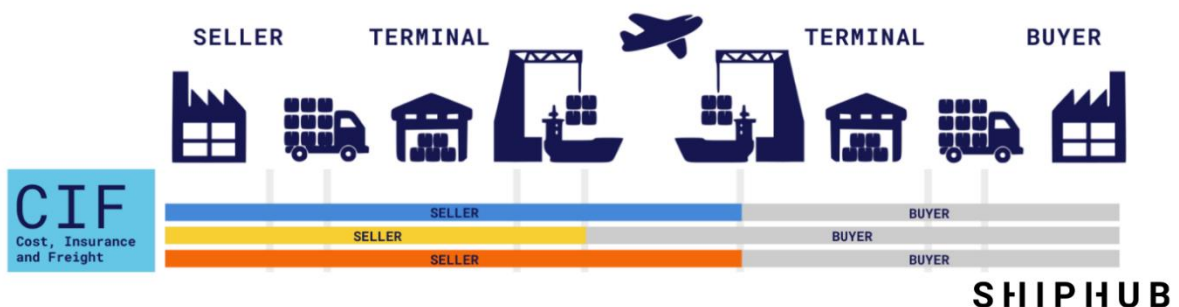
- He is responsible for the export clearance and related costs.

On the other hand, buyer takes the costs:

- of informing the seller of the date of dispatch of the goods and the port of destination;
- of import license and others authorizations;
- of import clearance;
- of obtaining documents (or equivalent electronic documents) which are necessary for the buyer to import or transit the goods;
- not covered by the contract or not being freight but relating to the goods during transport from the port of loading;
- additional, if the buyer won't notify the seller of the time of dispatch or destination.

The obligations of the buyer are presented below:

- The buyer is responsible for any damage or theft of the goods after the goods have been loaded to the vessel.
- He is obliged to bear all the costs required to obtain the certificate of origin, consular documents and import rates of duty.
- He has to inform the seller of the designated port, the name of the vessel and the delivery date.
- He organizes the import clearance and bears all related costs.
- The buyer has to obtain all documents necessary for import or transit.



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4. Summary

When analyzing the Incoterms 2020 rules described above, it may seem that the changes that have occurred are minimal. Nevertheless, Incoterms 2020 will be easier for exporters and importers to understand than Incoterms 2010. The Commission setting new rules wanted to avoid misinterpreting the Incoterms rules.

Incoterms 2020 rules have been established by the International Chamber of Commerce (ICC). This year, representatives of countries such as France, Great Britain, Germany, Turkey, the United States, Australia, and China took part in the meeting during which changes were made to the rules.

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