

RYDER SHIPPING LINES PVT. LTD

# INCOTERMS<sup>®</sup> RULES



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# NATIONAL INCOTERMS CHAMBERS

This guide is designed to give you a quick overview of the Incoterms® rules frequently used worldwide in international and domestic contracts, illustrating responsibilities between buyer and seller for costs and risk, as well as cargo insurance.

”Incoterms” is a registered trademark of the International Chamber of Commerce.

National Incoterms chambers :

Incoterms 2010 is the eighth set of pre-defined international contract terms published by the International Chamber of Commerce, with the first set having been published in 1936. Incoterms 2010 defines 11 rules, down from the 13 rules defined by Incoterms 2000. Four rules of the 2000 version ("Delivered at Frontier"; DAF, "Delivered Ex Ship"; DES, "Delivered Ex Quay"; DEQ, "Delivered Duty Unpaid"; DDU) were removed, and are replaced by two new rules ("Delivered at Terminal"; DAT, "Delivered at Place"; DAP) in the 2010 rules.

In the prior version, the rules were divided into four categories, but the 11 pre-defined terms of Incoterms 2010 are subdivided into two categories based only on method of delivery. The larger group of seven rules may be used regardless of the method of transport, with the smaller group of four being applicable only to sales that solely involve transportation by water where the condition of the goods can be verified at the point of loading on board ship. They are therefore not to be used for containerized freight, other combined transport methods, or for transport by road, air or rail.

Incoterms 2010 also formally defined delivery. Before, the term has been defined informally but it is now defined as the point in the transaction where "the risk of loss or damage [to the goods] passes from the seller to the buyer."

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# INCOTERMS GOVERNMENT REGULATIONS

In some jurisdictions, the duty costs of the goods may be calculated against a specific Incoterm: for example in India, duty is calculated against the CIF value of the goods,[8] and in South Africa the duty is calculated against the FOB value of the goods.[9] Because of this it is common for contracts for exports to these countries to use these Incoterms, even when they are not suitable for the chosen mode of transport. If this is the case then great care must be exercised to ensure that the points at which costs and risks pass are clarified with the customer.

# DEFINED TERMS IN INCOTERMS

There are certain terms that have special meaning within Incoterms, and some of the more important ones are defined below:

- **Delivery** : The point in the transaction where the risk of loss or damage to the goods is transferred from the seller to the buyer
- **Arrival** : The point named in the Incoterm to which carriage has been paid
- **Free** : Seller has an obligation to deliver the goods to a named place for transfer to a carrier
- **Carrier** : 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
- **Freight forwarder** : A firm that makes or assists in the making of shipping arrangements.
- **Terminal** : Any place, whether covered or not, such as a dock, warehouse, container yard or road, rail or air cargo terminal
- **To clear for export** : To file Shipper's Export Declaration and get export permit

# List of INCOTERMS (International Commercial Terms)

## • CFR – Cost and Freight

The exporter must deliver the goods at the port of destination selected by the importer. Transport expenses are thus the responsibility of the exporter. The importer bears the expenses of insurance and unloading of the goods. Utilization of this term obliges the exporter to offload the goods for export, and to use only sea and inland waterway transportation.

## • CIF – Cost, Insurance and Freight

Modality equivalent to CFR, except that the insurance costs are born by the exporter. The exporter must deliver the goods aboard ship, at the port of embarkation, with freight and insurance paid. The responsibility of the exporter ceases when the product is offloaded from the ship at the port of destination. This modality may only be used for sea and inland waterway transportation.

## • CIP – Carriage and Insurance Paid

Adopts a principle similar to CPT. The exporter, aside from bearing expenses for shipment of the goods and freight to the destination, must also bear expenses of insurance for transport of the goods to the destination indicated. CIP may be used for any mode of transportation, including multimodal.

## • CPT – Carriage Paid To

similarly to CFR, this condition stipulates that the exporter must pay expenses relating to the shipment of the goods and international freight to the designated destination. Thus, the risk of loss or damage to the goods, and any increase in costs, are transferred to the exporter by the importer, when the goods are delivered into custody of the transporter. This Incoterm may be used for any mode of transportation.

## • DAF – Delivered At Frontier

the exporter must deliver the goods at the designated place and location on the frontier, prior to crossing over to the country of destination. This term is used principally in the case of highway or railroad transportation.

# List of INCOTERMS (International Commercial Terms)

## • DDP – Delivered Duty Paid

The exporter assumes a commitment to deliver the goods, cleared for importation, at the destination point designated by the importer, and to pay all expenses, including taxes and import charges. The exporter is not, however, responsible for unloading the goods. The exporter is also responsible for domestic freight to the destination designated by the importer. This term may be used for any mode of transportation. This is the Incoterm that places the largest degree of responsibility upon the exporter.

## • DDU – Delivered Duty Unpaid

The exporter must place the goods at the disposal of the importer at the designated place and location abroad. The exporter assumes all expenses and risks for placement of the goods at the named destination, except expenses relating to customs duties, taxes, and other import charges. This term may be used for any mode of transportation.

## • DEQ – Delivered Ex Quay

The exporter must place the goods, without importation clearance, at the disposal of the importer on the dock at the port of destination. This term is used for sea and inland waterway or multimodal transportation.

## • DES – Delivered Ex Ship

Modality used only for sea and inland waterway transportation. The exporter bears responsibility for placement of goods at the named destination, on board the ship, without importation clearance, and must fully assume all risks and expenses up to that point abroad.

## • EXW – Ex Works

the goods and invoice are at the importer's disposal, at the exporter's premises. All expenses and any losses or damages after delivery of the goods, including shipping of the goods overseas, are the responsibility of the importer. When requested, exporter must provide assistance to the importer in obtaining documents necessary for shipping the goods. This modality may be used for any mode of transportation.

# List of INCOTERMS (International Commercial Terms)

- FAS – Free Along Ship

Obligations of the exporter cease upon loading of the goods, cleared for export, on the dock, free, alongside the ship. As of this moment, the importer assumes all risks, and bears all expenses relating to loading of the goods on board the ship. The term is used for sea and inland waterway transportation.

- FCA – Free Carrier

The exporter delivers the goods, cleared for export, into custody of the transporter, at a location indicated by the importer, whereupon all responsibilities of the exporter cease. This may apply to any type of transportation, including multimodal.

- FOB – Free on Board

The exporter must deliver the goods, cleared for export, on board the ship indicated by the importer, at the port of embarkation. This modality is used for sea and inland waterway transportation. All expenses, up until the loading of the goods on the transport vehicle, are born by of the exporter. The importer is responsible for expenses, and risks of loss or damage to the goods, once delivered on board the ship.

# Distribution of Costs

Incoterms define the distribution of cost and import/export clearance obligations.

TERM	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAF	DES	DEQ	DDU	DDP
SEVICES	Ex Works	Free Carrier	Free Alongside Ship	Free Onboard 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
Export packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export customs clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading at seller's premises	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland freight in the seller's country	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Handling Charges (THC)	Buyer	Buyer	Seller	Seller	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
Main carriage/freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Customs clearance in buyer's country	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

Overview of the obligations and costs for Incoterms 2000



# Basic overview of INCOTERMS

(International Commercial Terms)

## Ocean freight



Seller's premises



Carrier's terminal at origin



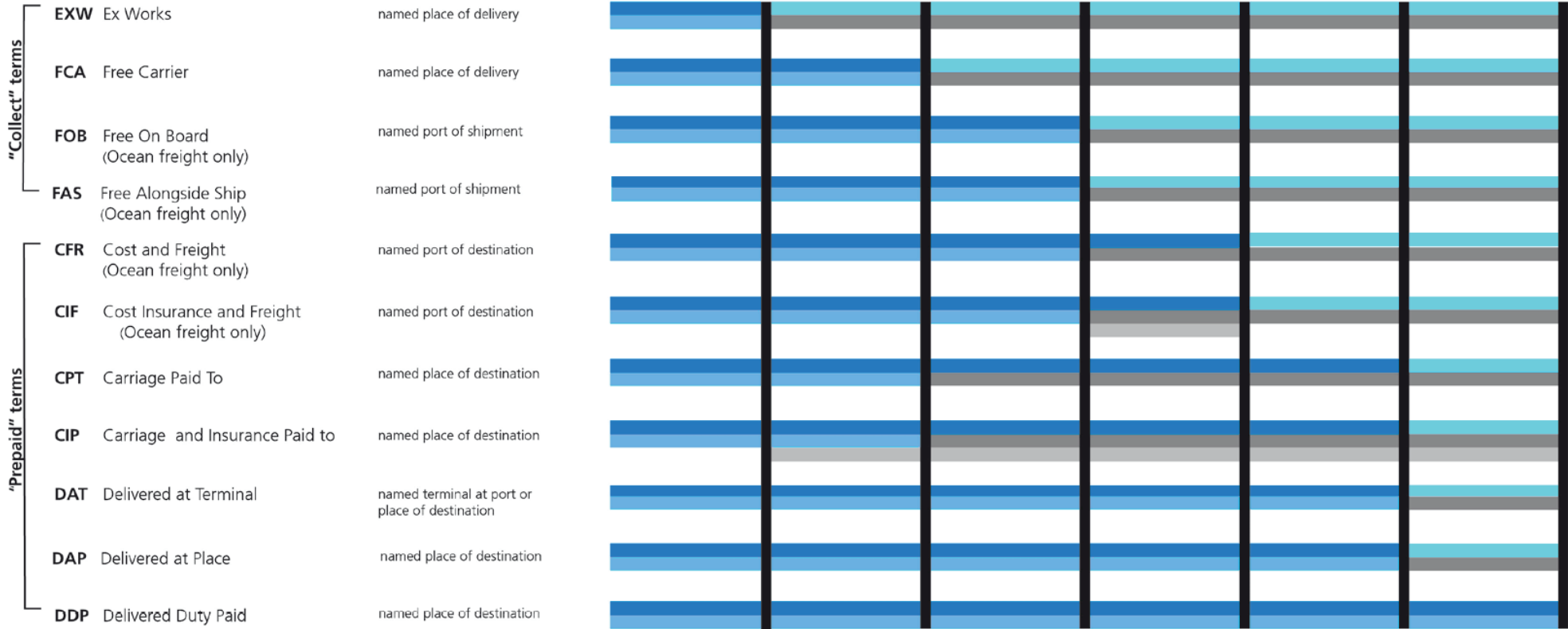
Loaded on board of vessel at port of origin  
Unloaded from vessel at port of destination



Named Terminal



Consignee's premises



"Collect" terms

"Prepaid" terms

### Legend

- Seller's cost
- Consignee's (buyer's) cost
- Seller's risk
- Consignee's (buyer's) risk
- Seller's obligation to arrange cargo insurance

## Air freight



Carrier's terminal at origin



Named Terminal



# RYDER SHIPPING LINES

a leading logistics company with a goal to offer complete logistics services in multilateral trade & transport solution.



RYDER SHIPPING LINES PVT. LTD  
701 to 704, 7th Floor, CONCORDE Building,  
Plot No. 66A, Sector-11, CBD Belapur,  
Navi Mumbai - 400614 (India)

Email : [support@ryderlines.com](mailto:support@ryderlines.com)  
Phone : +91 22 2759 5300  
Fax : 022 2759 5350

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