

Incoterms – Meaning & Descriptions

There are a total of eleven Incoterms, each represented by a three-letter code. Seven of these terms apply to transportation using any mode of transport, while the remaining four are specifically intended for trade conducted by sea or inland waterways.

EXW (Ex Works)

Under Ex Works terms, the buyer takes on full responsibility for all costs and risks involved in transporting the goods.

The seller's only obligation is to make the goods available for collection at their premises. If the seller assists with loading the goods, it is done at the buyer's risk.

FCA (Free Carrier)

With FCA, the seller is responsible for delivering the goods to a named location such as a port, terminal, or warehouse and for handling export packing, marking, labelling, and customs clearance. The seller must also provide the necessary export documentation. Once the goods are unloaded at the agreed location, the buyer assumes responsibility for the goods and any further transport.

CPT (Carriage Paid To)

CPT terms mean the seller arranges and pays for the transport of goods to a specified destination. However, it's important for the buyer to check whether terminal handling charges are included otherwise, unexpected costs may arise. Risk transfers to the buyer once the goods are handed over to the first carrier.

CIP (Carriage and Insurance Paid To)

Under CIP, the seller delivers the goods to a location agreed upon by both parties and covers the cost of freight and minimum insurance. However, the risk passes to the buyer as soon as the goods are handed over to the first carrier. Buyers should note that insurance cover is minimal under CIP, and it may be wise to arrange additional coverage.

DPU (Delivered at Place Unloaded)

Previously known as DAT in the 2011 Incoterms, DPU clarifies that this term applies to all transport modes, including delivery beyond a terminal.

The seller is responsible for delivering and unloading the goods at the agreed destination. From that point onward, the buyer assumes all responsibility, including costs related to import clearance, taxes, and duties.

DAP (Delivered at Place)

Similar to DPU, DAP requires the seller to cover the transport costs up to the agreed destination. The buyer is responsible for import-related costs such as customs clearance, taxes, and duties. The seller retains responsibility for the goods until they are ready for unloading at the destination, at which point the buyer takes over.

DDP (Delivered Duty Paid)

Under DDP, the seller handles everything including delivery to the buyer's country, all transport costs, export and import duties, and insurance until the goods are handed over at the agreed location. The seller assumes full responsibility for the goods and all associated expenses throughout the entire process.

Specific Incoterms for Sea and Inland Waterway Transport

FAS (Free Alongside Ship)

Under FAS terms, the seller is responsible for preparing the goods for export and placing them alongside the ship at the agreed port. From that point, the buyer assumes all costs and risks involved in loading and shipping.

FOB (Free On Board)

FOB terms mean the seller is responsible for the goods and all associated costs until they are loaded onto the ship. Once onboard, the buyer takes over responsibility for both costs and risk.

CFR (Cost and Freight)

CFR requires the seller to pay the transportation costs to the destination port.

However, insurance is not included under CFR unless otherwise agreed upon in the contract. Buyers should ensure marine insurance is arranged if not covered by the seller. Risk transfers to the buyer once the goods are loaded onto the vessel, and the buyer is responsible for costs at the destination port, including customs and taxes.

CIF (Cost, Insurance and Freight)

CIF terms are similar to CFR, with the key difference being that the seller also pays for insurance in addition to freight costs. Responsibility for the goods still passes to the buyer once they are loaded onto the ship.

Incoterms - Chart of Responsibility

Terms	Any Transport Mode		Sea / Inland Waterway Transport				Any Transport Mode				
	EXW £x Works	FCA Free Carrier	FAS Free Alongside Ship	FOB Free Onboard	CFR Cost & freight	CIF Cost, Insurance & Freight	CPT Carriage Paid To	CIP Carriage Insurance Paid To	DPU Delivered At Place Unloaded	DAP Delivered At Place	DDP Delivered Duty Paid
Transfer of Risk	Seller confirms goods are ready	On buyer's transport	Alongside ship	Onboard ship			At place of delivery, ahead of transport to final destination		At named place unloaded	At named place	
Warehouse Labour											
Export Packing											
Loading Charges		*									
Inland Freight											
Export Duty, Taxes and Customs Clearance											
Terminal Charges											
Forwarder's Fees											
Loading on Vessel											
Marine Insurance											
Freight Charges											
Charges Upon Arrival											
Import Duty, Taxes and Customs Clearance											
Delivery to Destination											
Off Loading											

* Seller is responsible for loading charges, If the terms state FCA at seller's facility

SELLER



BUYER



NEGOTIABLE

