



In-Depth Incoterms for Trade Compliance

February 7, 2025



AGENDA

- Overview
- Incoterms 2020 Refresher & Challenges



OVERVIEW

- Reason for Incoterms session
- Role of Incoterms
- Understanding hidden & landed cost
- Common mistakes

OVERVIEW

- Reason for Incoterms session
 - Understand obligations, risk transfer, and cost
 - Internal and external education
 - Mitigate potential problems

OVERVIEW

- Role of Incoterms

Incoterms Yes

- Obligations
- Risks
- Costs

Incoterms No

- Not a contract of sale
- Effect of sanctions
- Imposition of tariffs
- Export / Import prohibitions
- Intellectual property rights
- Method, venue or law of dispute resolution
- Deal with the transfer of property, title or ownership of goods sold

OVERVIEW

- Understanding Hidden & Landed Cost
 - What exactly does your “All in” quotation cover?
 - Are the costs aligned with your responsibility under the chosen Incoterm?
 - Hidden costs are discovered when things go wrong with an import or export transaction...
 - Demurrage, detention, handling, duties, VAT, GST, HMF, MPF, CBP, OMG!

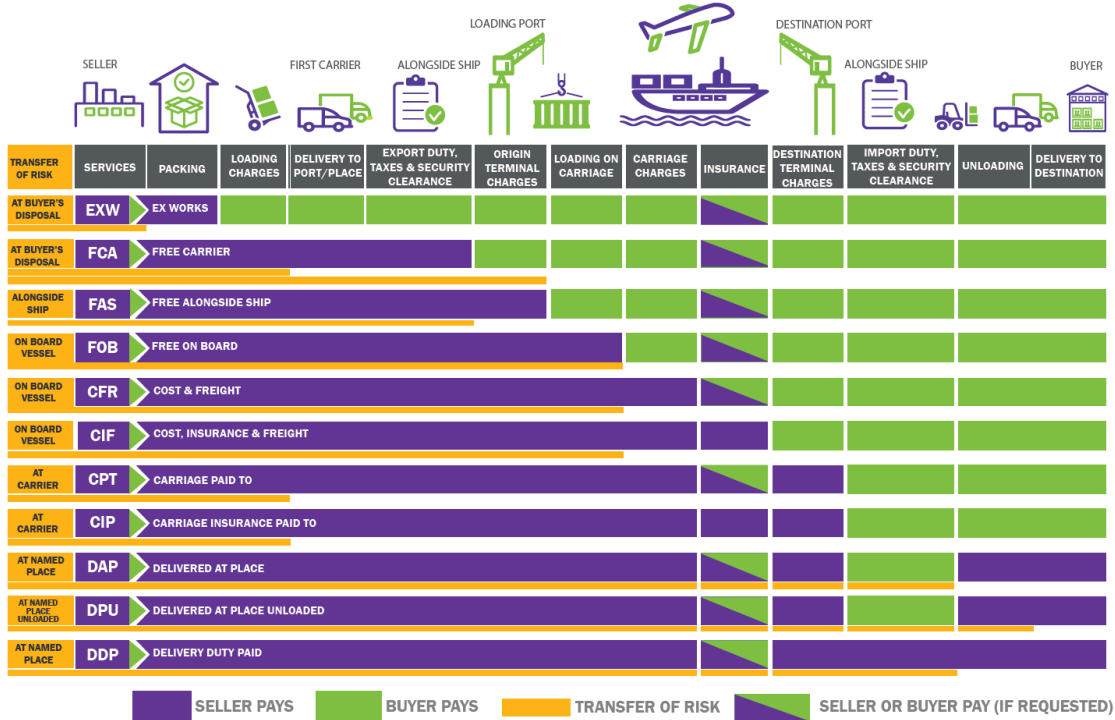
OVERVIEW

- Common Mistakes

- Not adding a “Named place” could result in confusion of obligations, transfer of risk and costs
- Understanding what type of insurance is required in CIF & CIP
- Letter of Credit processing
 - CPT, CIP, CIF, and CFR give the seller control over the Bill of Lading
 - FCA, FOB, and FAS may add alternate document to take place of Bill of Lading
- UCC vs ICC – Incoterms are not for domestic transactions
 - FOB is not on board a plane, train or automobile!

INCOTERMS 2020 REFRESHER & CHALLENGES

INCOTERMS 2020



INCOTERMS 2020

- Any Mode of Transport

- EXW Ex Works
- FCA Free Carrier
- CPT Cost Paid To
- CIP Cost and Insurance Paid To
- DAP Delivered at Place
- DPU Delivered at Place Unloaded
- DDP Delivered Duty Paid



Omni Modal

INCOTERMS 2020

EXW – Ex Works



Costs

Seller delivers the goods to the buyer when they place the goods at the disposal of the buyer at a named place (does not have to be the seller's premises.)

Risk

Risk transfers when the goods are placed, not loaded at the buyer's disposal.

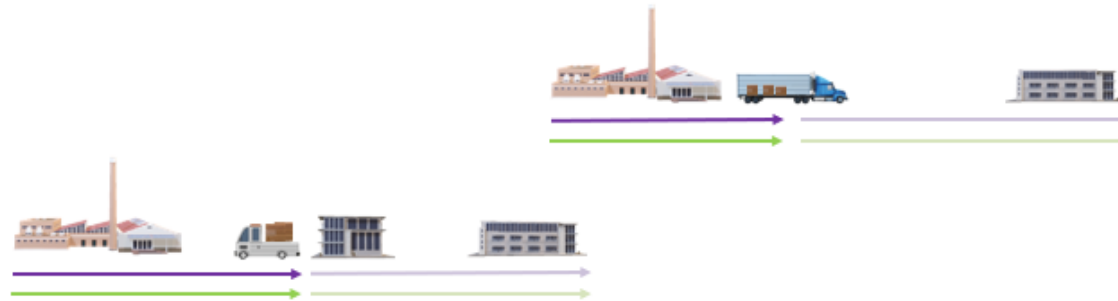
INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- EXW – Ex Works

	SELLER	BUYER
CUSTOMS	If sold to foreign company, seller is USPPi	Could be responsible for export and import customs
INSURANCE	No obligation, however, should have appropriate coverage in place	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes 	Could cause delays in buyer taking possession of sold goods.	Seller may not allow goods to remain in their possession. May need to arrange for storage at third party location for safe keeping until goods can be shipped

INCOTERMS 2020

FCA – Free Carrier



Costs

Seller delivers the goods to the buyer when the goods are either

- When the goods are loaded on the means of transport arranged by the buyer, or
- When the goods have been loaded on the seller's means of transport.

Risk

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

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- FCA – Free Carrier

	SELLER	BUYER
CUSTOMS	Responsible to clear goods for export, where applicable.	Could be responsible for export as well as import customs
INSURANCE	No obligation, however, should have appropriate coverage in place	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes 	Could cause delays in buyer taking possession of sold goods.	Seller may not allow goods to remain in their possession. May need to arrange for storage at third party location for safe keeping until goods can be shipped
DOCUMENTATION	Both parties should make sure the document they request, can be supplied.	

INCOTERMS 2020

CPT – Carriage Paid To



Costs

Seller delivers the goods to the buyer by handing them over to the carrier contracted by the seller. The seller may give the carrier physical possession of the goods in the manner and at the place appropriate to the means of transport used.

Risk

Risk transfers from the seller to the buyer when the goods are delivered to the buyer by handing them over to the carrier. Seller must contract for the carriage of the goods from delivery to the agreed destination.

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- CPT – Carriage Paid To

	SELLER	BUYER
CUSTOMS	Only responsible for export customs	Responsible for Import customs, duties, taxes,...
INSURANCE	No obligation, however, should have appropriate coverage in place	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes 	Could cause delays in buyer taking possession of sold goods.	Seller may not allow goods to remain in their possession. May need to arrange for storage at third party location for safe keeping until goods can be shipped

INCOTERMS 2020

CIP – Carriage and Insurance Paid To



Costs

Seller delivers the goods to the buyer by handing them over to the carrier contracted by the seller. The seller may give the carrier physical possession of the goods in the manner and at the place appropriate to the means of transport used. Seller must procure All Risk (ICC-A) Cargo Insurance.

Risk

Risk transfers from the seller to the buyer when the goods are delivered to the buyer by handing them over to the carrier. Seller must contract for the carriage of the goods from delivery to the agreed destination.

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- CIP – Carriage & Insurance Paid To

	SELLER	BUYER
CUSTOMS	Only responsible for export customs	Responsible for Import customs, duties, taxes,...
INSURANCE	ICC (A) – Institute Cargo Clause All Risks Cargo Insurance	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes 	Could cause delays in buyer taking possession of sold goods.	Seller may not allow goods to remain in their possession. May need to arrange for storage at third party location for safe keeping until goods can be shipped

INCOTERMS 2020

DAP – Delivered at Place



Costs

Seller delivers the goods 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 or at the agreed point within that place, if any such point is agreed.

Risk

The seller bears all risks involved in bringing the goods to the named place of destination or to the agreed point within that place. Delivery and arrival at destination are the same.

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- DAP – Delivered At Place

	SELLER	BUYER
CUSTOMS	Only responsible for export customs	Responsible for Import customs, duties, taxes,...
INSURANCE	No obligation, however, should have appropriate coverage in place	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes • Foreign capabilities 	Could cause delays to deliver goods to agreed destination. Potential storage fees. Must also make sure have viable resources to deliver and offload goods at destination.	Could cause delays in receiving and clearing goods. Potential storage fees.

INCOTERMS 2020

DPU – Delivered at Place Unloaded



Costs

Seller delivers the goods when the goods are unloaded from the arriving means of transport, are placed at the disposal of the buyer at the named place of destination or at the agreed point within that place.

Risk

The seller bears all risks involved in bringing the goods to, and unloaded them at the named place of destination or to the agreed point within that place. Delivery and arrival at destination are the same.

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- DPU – Delivered at Place Unloaded

	SELLER	BUYER
CUSTOMS	Only responsible for export customs	Responsible for Import customs, duties, taxes,...
INSURANCE	No obligation, however, should have appropriate coverage in place	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes • Foreign capabilities 	Could cause delays to deliver goods to agreed destination. Potential storage fees. Must also make sure have viable resources to deliver and offload goods at destination.	Could cause delays in receiving and clearing goods. Potential storage fees.

INCOTERMS 2020

DDP – Delivered Duty Paid



Costs

Seller delivers the goods when 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 ro at the agreed point within that place.

Risk

The seller bears all risks involved in bringing the goods to the named place of destination or to the agreed point within that place. Delivery and arrival at destination are the same.

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- DDP – Delivered Duty Paid

	SELLER	BUYER
CUSTOMS	Responsible for import customs and export customs, duties, taxes (GST, VAT)	Not responsible for import/export clearance. Allowing seller to pay duties could result in you not being able to recover duties, GST, VAT
INSURANCE	No obligation, however, should have appropriate coverage in place	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes • Foreign capabilities 	Could cause delays to deliver goods to agreed destination. Potential storage fees. Must also make sure have viable resources to deliver, clear and offload goods at destination.	

INCOTERMS 2020

- Sea and Inland Waterway Transport
 - FAS Free Alongside Ship
 - FOB Free on Board
 - CFR Cost And Freight
 - CIF Cost Insurance and Freight



WATER ONLY

INCOTERMS 2020

FAS – Free Alongside Ship



Costs

Seller delivers the goods to the buyer when the goods are placed alongside the ship (on a quay or barge,...) nominated by the buyer at the name port of shipment.

Risk

Risk transfers when the goods are alongside the ship and the buyer bears all costs from that moment onwards.

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- FAS – Free Alongside Ship

	SELLER	BUYER
CUSTOMS	Responsible to clear goods for export, where applicable.	Could be responsible for export as well as import customs
INSURANCE	No obligation, however, should have appropriate coverage in place	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes 	Could cause delays in buyer taking possession of sold goods. Potential storage fees.	Once seller delivers goods, may need to arrange for storage at port or third party location for safe keeping until goods can be shipped
DOCUMENTATION	Both parties should make sure the document they request, can be supplied.	

INCOTERMS 2020

FOB – Free on Board



Costs

Seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment.

Risk

Risk transfers when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- FOB – Free On Board

	SELLER	BUYER
CUSTOMS	Responsible for import clearance.	Responsible for export clearance
INSURANCE	No obligation, however, should have appropriate coverage in place	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes 	Could cause delays in buyer taking possession of sold goods. Potential storage fees.	Once seller delivers goods, may need to arrange for storage at port or third party location for safe keeping until goods can be shipped
<ul style="list-style-type: none"> • Industry fact 	This is the most misused Incoterm. FOB is not to be confused with the UCC Term used for US Domestic moves. Unless you are working a charter, you most likely will never use this term. It means FREE ON BOARD A VESSEL ONLY!	

INCOTERMS 2020

CFR – Cost and Freight



Costs

Seller delivers the goods to the buyer on board the vessel.

Risk

Risk transfers when the goods pass the ship's rail at the port of loading.

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- CFR – Cost and Freight

	SELLER	BUYER
CUSTOMS	Only responsible for export customs	Responsible for Import customs, duties, taxes,...
INSURANCE	No obligation, however, should have appropriate coverage in place	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes 	Could cause delays in loading goods onto vessel. Could possibly incur storage fees.	Seller may not allow goods to remain in their possession. May need to arrange for storage at third party location for safe keeping until goods can be shipped

INCOTERMS 2020

CIF – Cost Insurance and Freight



Costs

Seller delivers the goods to the buyer on board the vessel. Seller must procure Cargo Insurance. ICC-A / All Risks not required.

Risk

Risk transfers when the goods pass the ship's rail at the port of loading.

INCOTERMS 2020- HIGHLIGHTS & CHALLENGES

- CIF – Cost Insurance and Freight

	SELLER	BUYER
CUSTOMS	Only responsible for export customs	Responsible for Import customs, duties, taxes,...
INSURANCE	ICC (C) – Institute Cargo Clause Free of Particular Average	No obligation, however, should have appropriate coverage in place
SUPPLY CHAIN ISSUE <ul style="list-style-type: none"> • Port congestion/shutdown • Sanctions, embargoes, war • Tariff changes 	Could cause delays in loading goods onto vessel. Could possibly incur storage fees.	Seller may not allow goods to remain in their possession. May need to arrange for storage at third party location for safe keeping until goods can be shipped

QUESTIONS



THANK YOU!



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