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The Ultimate Incoterms Cheat Sheet

Incoterms is short for "International Commercial Terms" that are part of the International Chamber of Commerce's (ICC) globally recognized trade rules. This Incoterms Cheat Sheet will help you select the right terms for your shipment.

I. Incoterms for all Transport Modes

EXW - Ex Works/Ex Warehouse

- **Seller's responsibilities:** Makes goods available to the buyer and packs the goods for shipment while freight remains at the seller's location.
- **Buyer's responsibilities:** Handles importing, exporting, and shipping of the freight to the destination.

FCA- Free Carrier

- **Seller's responsibilities:** Transports freight to a specified destination in the seller's country then transfers the goods to the carrier.
- **Buyer's responsibilities:** Handles the importing and delivery process. Pays for freight charges.
- **Dual responsibilities:** The buyer or the seller may export the shipment based on the named location.

CPT - Carriage Paid To

- **Seller's responsibilities:** Ships and unloads cargo from vessels when the freight arrives at place of delivery.
- **Buyer's responsibilities:** Responsible for freight once it becomes unloaded. Buyer imports and transports freight to final destination.



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CIP - Carriage and Insurance Paid

- **Seller's responsibilities:** Covers shipping costs to the designated delivery place. Purchase freight insurance when it becomes delivered and unloaded at the terminal.
- **Buyer's responsibilities:** Takes responsibility for the shipment at the terminal. Imports and oversees the rest of the shipping process as the freight moves to final destination. The buyer does not purchase the freight insurance.

DAP - Delivered at Place

- **Seller's responsibilities:** Delivers the cargo to the final destination and provides it to the buyer.
- **Buyer's responsibilities:** Unloads the shipment, and is responsible for all import duty, customs clearance, and taxes.

DPU - Delivered at Place Unloaded

- **Seller's responsibilities:** Delivers the cargo to the final destination, unloads it, and provides it to the buyer.
- **Buyer's responsibilities:** Responsible for all import duty, customs clearance, and taxes.

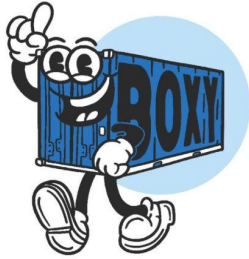
DDP - Delivered Duty Paid

- **Seller's responsibilities:** Delivers the cargo to the final destination, provides it to the buyer, and pays for import duties, customs clearance, and taxes.
- **Buyer's responsibilities:** Unloads the shipment.

II Incoterms for Sea and Inland Waterway Transport

FAS - Free Alongside Ship

- **Seller's responsibilities:** Transports the cargo to the port and places it alongside the vessel.
- **Buyer's responsibilities:** Loading the cargo onto the vessel, shipping, and importing.



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FOB - Free on Board

- **Seller's responsibilities:** Transports the cargo to the port and loads it onto the vessel.
- **Buyer's responsibilities:** Responsible for shipping and importing.

CFR - Cost and Freight

- **Seller's responsibilities:** Transports the cargo to the port, loads it onto the vessel, and covers shipping costs.
- **Buyer's responsibilities:** Importing and transport from the destination port.

CIF - Cost, Insurance, and Freight

- **Seller's responsibilities:** Transports the cargo to the port, loads it onto the vessel, covers shipping costs, and provides freight insurance.
- **Buyer's responsibilities:** Importing and transport from the destination port. Buyer does not purchase the freight insurance.

Incoterms Decoded

Think of incoterms as guidelines in a contract that can be followed by the buyer and seller. They are not mandatory, yet they are often used so that everyone understands their responsibilities, costs, and risks when involved in the shipment of goods.

The ICC updates their incoterms every 10 years, with the most recent changes occurring in January 2020 according to the [International Trade Administration](#). There are currently 11 incoterm rules with 7 incoterms covering any mode of transportation and 4 incoterms covering sea and inland waterway transport. These incoterm rules focuses on 4 types of obligations between the buyer and the seller.

- export/import requirements
- who is responsible for transportation costs
- who is responsible for freight insurance
- point of delivery



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Advantages of Incoterms

During the communication between the buyer and seller, the incoterm rules are provided to each party as a statement that defines their tasks, who bears the expenses and purchase of insurance for specific tasks, and who is in charge of the transportation of the freight. Both the buyer and seller are given documentation of the incoterm rules. The main advantage to incoterms is that it clarifies the shipping transactions.

With the buyer and seller understanding their responsibilities, they each know what they have to do at specific times during the transportation of goods. If a problem arises, the specific party can take the necessary actions to remediate the issue to reduce any delays in shipping the freight. Another advantage is that the communication can also occur over electronic means, such as electronic documents.

When to Use Incoterms

Incoterms are often used on documents such as the sales invoice, purchase agreement, or sales contract. The seller more often than not will have specific incoterms that they use in the contracts and agreements based on their operations and what is the most ideal for their buyers. The buyer may request that certain incoterms be included in the contracts as well, but this is typically not necessary.

Both the buyer and the seller will agree on the incoterms used, and may negotiate on which they should include or exclude from the contracts. In addition, sometimes circumstances may occur where the incoterms will change while the shipment is being loaded, unloaded, or transported. For instance, there may be a delay due to weather or accident that forces the mode of transportation to change, such as having the freight move by rail or road instead of by ship along inland waterways. The buyer and seller will change and agree to the new incoterms of the contract.

Using Previous Incoterms

Since incoterms may change or be added every 10 years, a buyer may have a contract that extends past the time when the ICC makes their updates. All incoterms that were previously used remain valid, and buyers/sellers may continue to use previous incoterms in their contracts, such as ones used in 2010. So long as both parties agree to the details of the incoterms, and



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the incoterms provide clear details of the responsibilities that both parties have for the transportation and costs of shipping freight, those terms remain valid through the duration of the contract.

Communication is Key

The most important part of the shipping process is to have clear information and communication between the buyer and seller. Even if both parties agree to not use the above incoterms, sales transaction clarity regarding everyone's responsibilities should always be discussed before any agreement is signed by either party. If there are any misunderstandings about the terms of the sales contract, it becomes the obligation of the buyer or seller to ask for additional details before they take on certain tasks or costs.

Getting shipments from point A to point B when they have to travel internationally should not be a confusing process. You should be able to find the company that can work with you for the entire process. For more information about incoterms, or to locate shipping or logistics providers, reach out to Freight Forwarder Services. We offer a global directory of shipping and logistical providers so you can hire the right company for your shipping needs.

Would you like to download this incoterms cheat sheet in handy PDF format? [Click Here.](#)