

# The definitive guide to the 2020 Incoterms®



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## What are Incoterms®?

Incoterms® (International Commercial Terms) are published by the International Chamber of Commerce (ICC). They are an internationally recognised set of instructions used in the global transportation of goods. They define the division of responsibility between the Shipper (usually the supplier/consignor) and the Consignee (usually the buyer).

The terms dictate which party is responsible for the risks, costs and liabilities associated with the shipment at each stage of the shipping process.

The latest version of Incoterms® came into effect on 1st January, 2020. There are currently 11 Incoterms® in the 2020 version, in this guide we'll cover each one in brief detail.





# What does each Incoterms® mean?

## EXW (Ex Works)

EXW terms indicate that the buyer is responsible for collecting the goods from the seller and accepts all onward arrangements, including associated costs, risks and liabilities.

## FCA (Free Carrier)

FCA terms indicate that the seller is responsible for the goods, including costs, up to delivery to the buyer's chosen carrier at a named location – often a terminal or transport hub or forwarder's warehouse. The seller is responsible for export clearance, after which the responsibility transfers to the buyer. If the named location is the seller's place of business then they are responsible for the loading of the goods. At all other named locations the buyer is responsible for loading.

## FAS (Free Alongside Ship)

FAS terms require the seller to place the goods alongside the carrier vessel at the port of export, with seller responsibility for export customs clearance and risk and cost up to that point. The buyer takes responsibility for the goods from loading onto the vessel onwards.

## FOB (Free On Board)

FOB terms indicate that the seller and the buyer have fairly equal responsibility for all costs, risks and liabilities associated with transporting the goods. The seller is responsible up to the arrival to board the ship, including charges at the loading port. The buyer is responsible from loading onwards, until the goods reach their final destination. FOB is usually the recommended option for importers and buyers, as it allows greater control over costs.

## CFR (Cost and Freight)

With CFR terms the seller's invoice will include the cost of the goods plus the cost of transporting the goods to the port of discharge (not including local charges). Although CFR terms can appear to be a good option, the buyer has little control over the shipping process and the associated costs.

## CIF (Cost, Insurance and Freight)

The same shipping terms as CFR, plus a marine insurance policy also paid by the seller.

## CPT (Carriage Paid To)

CPT shipping terms indicate that the seller bears all costs of transporting goods to the port of discharge. The seller's responsibility for the goods, however, ends on delivery to the carrier at a named place. CPT can be used for all modes of transports including air and sea.

## CIP (Carriage and Insurance Paid)

CIP terms indicate the same seller responsibilities as CPT (cost to the port of discharge, responsibility to delivery to carrier) but with the additional inclusion of maritime insurance.

## DAP (Delivered at Place)

The buyer is responsible for unloading the goods at the named place of delivery. Buyer assumes responsibility from the point of unloading the goods, including import customs clearance, duties and taxes. Can be used for all modes of transport.

## DPU (Delivered at Place)

The exporter arranges carriage and delivery of the goods, ready for unloading at the named place. The seller is required to unload the goods at this destination. After the goods' arrival, the customs clearance in the importing country needs to be completed by the buyer at his own cost and risk, including payment of all customs duties and taxes. This is a retitling of the Incoterms® 2010 term Delivered at Terminal (DAT), making it clear that delivery can happen anywhere, not just at a terminal

## DDP (Delivered Duty Paid)

A term indicating that the shipper/consignor is responsible for paying all duties and taxes at the agreed delivery point. DDP terms indicate that the seller is responsible for carriage and delivery to a named place, including clearing for import and all applicable taxes and duties. Can be used for all modes of transport. They maximise cost and risk for a seller, and minimise them for the buyer. The buyer's responsibility for the goods begins when they receive them for unloading at destination. Can be used for all modes of transport.



# Incoterms® 2020 Chart

	Services Offered	DG	DG	DG	DG	DG	DG	DG	DG	DG	DG	DG	DG
Transfer of Risk	Services	Packing	Loading Charges	Delivery to Port/Place	Export Duty, Taxes & Security Clearance	Origin Terminal Charges	Loading on Carriage	Carriage Charges	Insurance	Destination Terminal Charges	Delivery to Destination	Unloading	Import Duty, Taxes & Security Clearance
At Buyer's Disposal	EXW Ex Works												
On Buyer's Transport	FCA Free Carrier												
Alongside Ship	FAS Free Alongside ship												
On Board Vessel	FOB Free On Board Vessel												
On Board Vessel	CFR Cost & Freight												
On Board Vessel	CIF Cost Insurance & Freight												
At Carrier	CPT Carriage Paid To												
At Carrier	CIP Carriage Insurance Paid To												
At Named Place	DAP Delivered at Place												
At Named Place Unloaded	DPU Delivered at Place Unloaded												
At Named Place	DDP Delivery Duty Paid												

# Want to know more?

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