

Incoterms Explained

What are Incoterms?

Incoterms help facilitate International Trade by clarifying who is responsible for transportation and insurance costs. They provide standardised and agreed reference points regarding transfer of ownership, transfer of risk, insurance, mode of transport and cross-border taxes between a Buyer and a Seller in a Sales/Shipping Contract.

Incoterms have three stages in a transport journey:

Pre-Carriage | Main Carriage | Onward Carriage

These stages split into 11 Incoterms but 4 of these are specific to ocean freight transport (FCL / LCL) only.

The seven that relates to all modes of transport; including carriage by road are:

EXW	FCA	CPT	CIP	DAP	DPU	DDP
Ex Works	Free Carrier	Carriage Paid to (named place)	Carriage Paid & Insurance to (named place)	Delivered at Named Place	Delivered at Named Place, Unloaded	Delivery Duty Paid

Incoterms are normally recorded on a contract of sale but to necessitate international transport, they should also be stated on all commercial invoices pertaining to all consignments.

What do Incoterms Cover?

Transfer of Risk	Yes
Separation of Costs	Yes
Payment Resolution	No
Mode of Transport	Yes
Insurance	Yes
Dispute of Payment	No
Delivery Points	Yes
Customs Duties	Yes
Arbitration	Only if specified in Sales Contract

What Does my Business Need to do to Meet the Imminent Changes to EU/UK Trade?

1. Peruse current Incoterms and check with your suppliers and clients for understanding.
2. Revisit older agreements to ensure they are still in your business' best interests.
3. Ensure all shipping documentation will have the correct Incoterms entered.
4. Calculate the costs associated with Incoterms.
5. Assess the risks involved in the Incoterms.
6. Minimise your exposure to both
7. Know the capabilities of Incoterms.

If you have any questions relating to Incoterms, speak to the McCulla Ireland customs team. We can help facilitate your commerce and act as a reputable and reliable intermediary and partner.

Contact McCulla Ireland Customs Team:

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Remember Incoterms are not a complete contract of sales but a very important part of it.