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Understanding Incoterms

– An Educational Note by Dr. Aditya Vijay Kashyap

 Scorpion Capital | New Delhi

What are Incoterms?

Incoterms (International Commercial Terms) are globally recognized trade terms created by the International Chamber of Commerce (ICC).

They define the responsibilities, costs, and risks between the seller and the buyer, especially when goods cross international borders.



Why are Incoterms important?

- ✓ Clearly outline who handles transport, insurance, duties, and other costs.
- ✓ Prevent misunderstandings and reduce disputes.
- ✓ Simplify documentation and ensure legal compliance.
- ✓ Make international trade predictable, professional, and efficient.

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Some common Incoterms explained:

- EXW (Ex Works): Seller makes goods available at their premises; buyer handles everything from there.
- FOB (Free On Board): Seller is responsible until goods are loaded onto the vessel; risk then passes to the buyer.
- CIF (Cost, Insurance & Freight): Seller pays for transport and insurance up to destination port; risk passes when goods are loaded on the vessel.
- DAP (Delivered At Place): Seller delivers goods to a named place; buyer is responsible for import duties and further delivery.



Insight by Scorpion Capital:

Incoterms aren't just theory — they're practical tools used daily by exporters, importers, logistics teams, bankers, and consultants.

Choosing the right Incoterm can directly impact cost efficiency, compliance, and trust in cross-border transactions.

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INCOTERMS 2025

RESPONSIBILITY CHART

INCOTERM	TRANSPORT	RESPONSIBILITY		RISK TRANSFER POINT
		SELLER PAYS	BUYER PAYE	
EXW	Any	Only packaging	All transport, import	At seller's premises
FCA	Any	Export customs, delivery to carrier	Main transport import	When goods are placed at dock
FAS	Sea	Export duty, delivery to dock	Freight, insurance	When goods are given to carrier
FOB	Any	Freight to destination port	Freight, insurance, import duties	When goods are given to carrier
CFR	Any	Freight to destination	Insurance, import duties	When goods are given
CIF	CIP	Freight to destination	Insurance, import duties	When goods are given to carrier
CPP	Any	All transport to buyer's location	Import duties	When goods are given to carrier
DAP	Any	+ unloading	Import duties	At buyer's location, before customs
DPU	Any	Everything, cleared	—	At buyer's doorstep, cleared

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