



EORI (UK) LIMITED

A 3DPAY COMPANY

Incoterms

www.eori.uk



What Are Incoterms?

Incoterms® are internationally recognised trade terms published by the International Chamber of Commerce (ICC) to clearly define the responsibilities of buyers and sellers in international trade.

They allocate obligations for costs, risk, delivery, transport, insurance, export/import formalities and documentation. While they cannot cover every eventuality, they provide a shared understanding of the roles that each party must play.



Two Categories of Rules

Some rules can be used for any mode of transport, and others are restricted to sea and inland waterways only.

All transport modes:

EXW

FCA

DAP

DDP

DPU

CPT

CIP

Sea & inland waterways only:

FAS

FOB

CFR

CIF



How the Rules Differ

Each rule defines a specific transfer point for risk and sets out which party must complete customs procedures and bear particular freight, handling or insurance obligations.

For example, CIP requires the seller to provide a higher level of insurance cover. In contrast, FCA places risk firmly on the buyer once goods have been handed to the carrier nominated by the buyer.



Where Things Go Wrong

The most frequent issues involve misuse of delivery-based rules. Using D-terms such as DAP or DPU without specifying an exact delivery point creates confusion around liability for terminal handling, storage, demurrage and delays.

Vague wording, such as stating only "DAP" without identifying the location, can leave both sides in dispute long after the goods have moved.

EXW also presents a specific problem if not used correctly. Under this term, the EU buyer is responsible for the export declaration in GB. This means the seller cannot zero-rate the goods for VAT purposes, as they would not hold the correct evidence that goods left GB, since they are not responsible for the export document.

GB-EU Trade Post Brexit

Since Brexit, movements between the EU and Great Britain now require full customs clearance, making Incoterms selection more critical than ever. Before Brexit, the main sticking point was who paid for transport. Since 2021, export/import formalities, customs duties and VAT responsibilities are at the forefront of every transaction between GB and the EU.

