



# International Commercial Terms ("Incoterms®") Refresher

The Incoterms® are a globally-recognised set of 11 three-letter trade terms, used in international and domestic contracts for the supply of goods.

They are produced by the International Chamber of Commerce and updated periodically to reflect changes in trade practices.

Incoterms® rules are universal and provide clarity and certainty to business.

## Incoterms ® explained

The Incoterms® rules feature abbreviations for terms that have very precise meaning for the sale of goods around the world. The terms describe the practical arrangements for the delivery of goods from the seller to the buyer and allocate the obligations, costs and risks between the two parties.

Each Incoterms® rule specifies:

1. obligations of each party (who is responsible for transport; import and export clearance etc.); and
2. point in the journey where risk transfers from seller to the buyer.

The Incoterms® are silent on several matters, such as transfer of title, price, payment and liability. These, as well as insurance provisions, should be addressed expressly in the contract of sale.

## Incoterms® 2020

The 2020 version of the Rules came into effect on 1 January 2020.

Incoterms® 2020 are accompanied by expanded explanatory notes. These notes assist with accurately interpreting the latest edition to avoid costly misinterpretation or wrongful application.

Overall, there are very few substantive changes from 2010 Incoterms® to the meaning of the rules.

The two most important changes are:

- The rule Delivered at Terminal (DAT) has been renamed as Delivered at Place Unloaded (DPU)

This change emphasises that the place of destination where the seller unloads the goods could be a place other than a terminal.

- For Carriage and Insurance Paid (CIP), the level of freight insurance provided is now Institute Clauses (A), and not the lower level Institute Clauses (C).

For Cost Insurance and Freight (CIF), the level of freight insurance provided is unchanged.

## Incoterms and Brexit

The end of the UK-EU transition period does not affect the Incoterms® rules as the rules are global in nature.

## Variation of Incoterms

There is no obligation to adopt Incoterms® 2020.

All contracts made under any other previous editions remain valid. The parties will be free to incorporate any earlier version into their commercial agreements, however, it is important to clearly specify the chosen version.

The parties can agree to vary the Incoterms® to deal with particular situations, to define their respective obligations more precisely or indeed to replace one set of the rules for another. Such variation will be subject to the relevant contract and should be done with great care.

Further, the parties should ensure that any variation does not defeat the purpose and introduce fresh ambiguity.

For further information, please contact our [Shipping & Logistics experts](#) by calling us on 01202 786161 or email [linda.jacques@la-law.com](mailto:linda.jacques@la-law.com)