

INTERNATIONAL
TRADE MATTERS

Incoterms® - essential for every import and export

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LONDON CHAMBER
of COMMERCE AND INDUSTRY

CONNECT. CHAMPION. SUPPORT.

Who are we

- International trade services across multiple sectors
- Independent and expert advice
- Market entry
- International marketing
- Bespoke training & support
- British Chambers Of Commerce nationally accredited international trade training
- Documentary compliance



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Incoterms[®] Rules

Who pays
duties?

Do I have to
replace lost
goods?

Who pays
unexpected
costs?

Who is
clearing
customs?

Can I get the
documents
needed?



What are Incoterms® Rules?

What are Incoterms®

International COmmercial TERMS

Published by International Chamber of Commerce – their website states:

ICC's world renowned Incoterms® rules facilitate trillions of dollars in global trade each year.

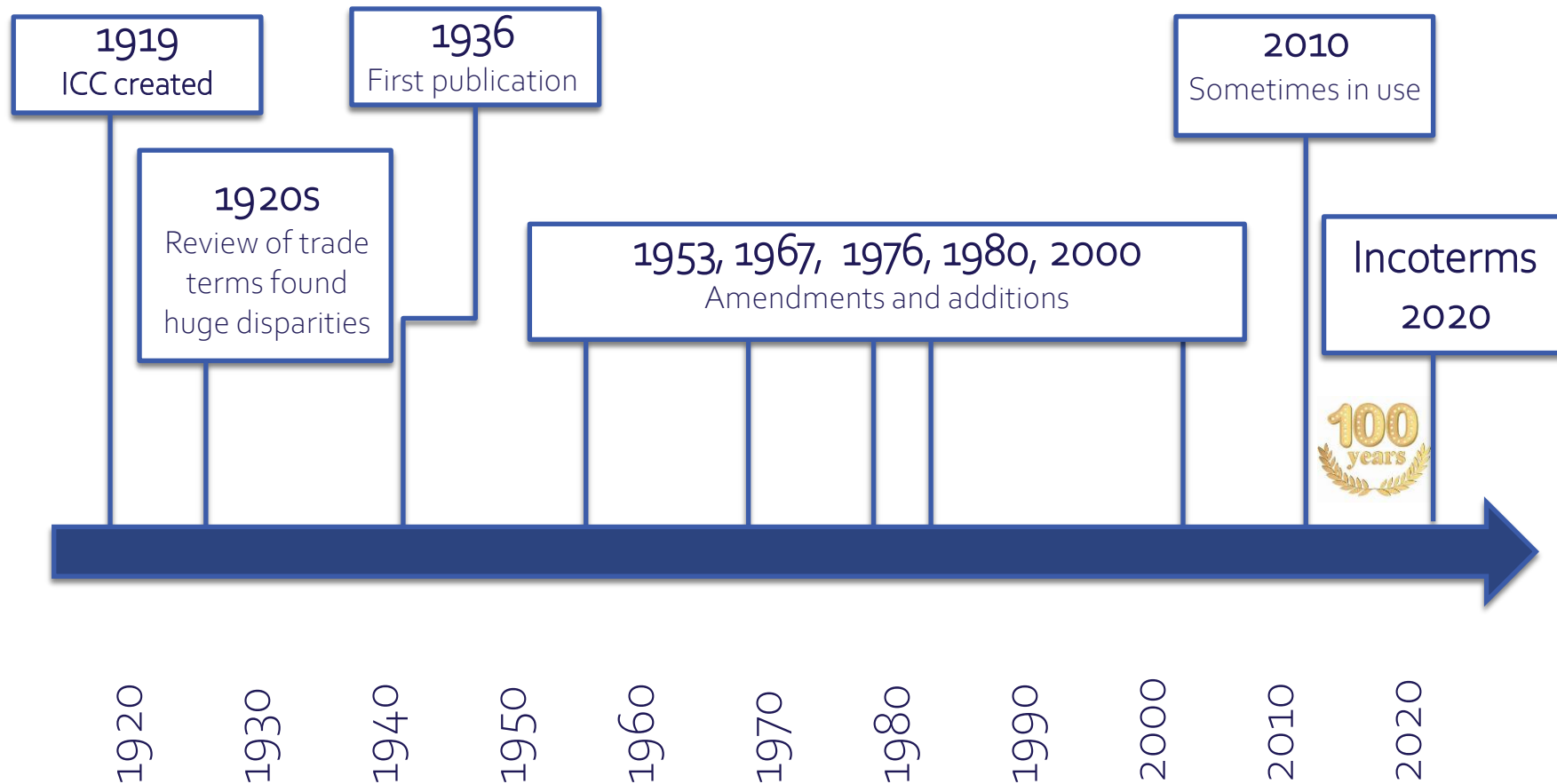
What are Incoterms® rules?

The Incoterms® rules are the world's essential terms of trade for the sale of goods. Whether you are filing a purchase order, packaging and labelling a shipment for freight transport, or preparing a certificate of origin at a port, the Incoterms® rules are there to guide you. The Incoterms® rules provide specific guidance to individuals participating in the import and export of global trade on a daily basis.



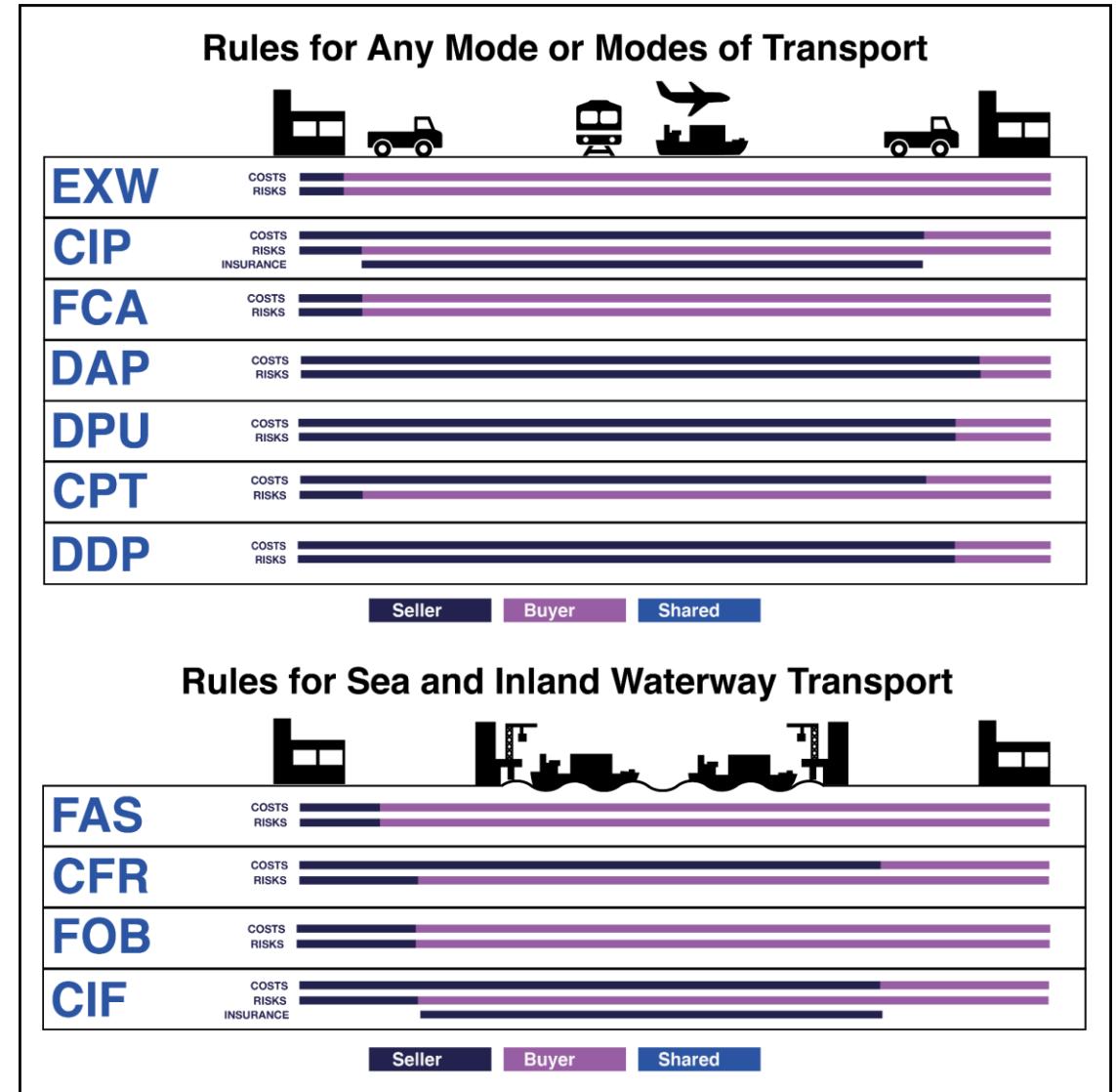
History

International **CO**mmercial **TERMS**



What are Incoterms®

- Terms of trade for supply of goods
- 11 rules
 - 7 for any mode of transport
 - 4 for sea/inland waterway
- Used for all international shipments of goods
- Recognised internationally

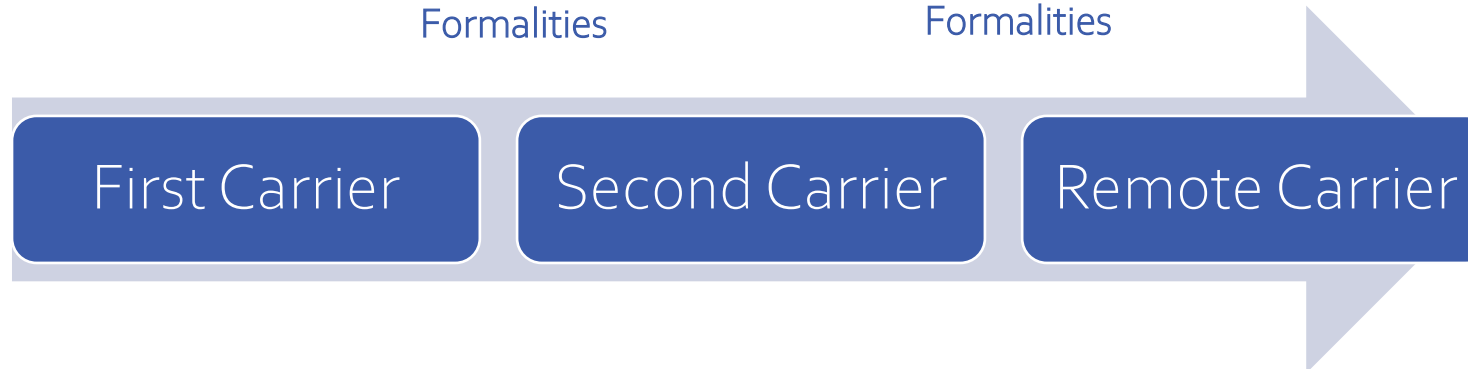


The journey of physical goods



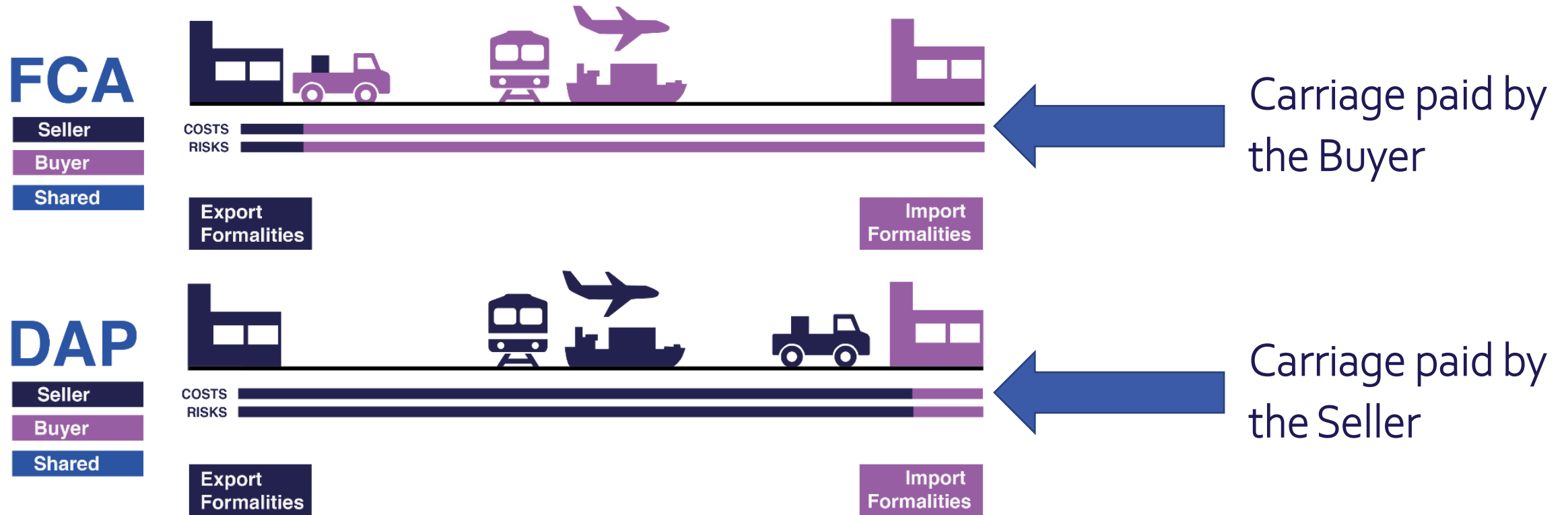
- Arrange transportation
- Paying for transportation
- Pay duties, taxes, fees
- Clear customs

✓ **Costs**
✓ **Risks**
✓ **Obligations**

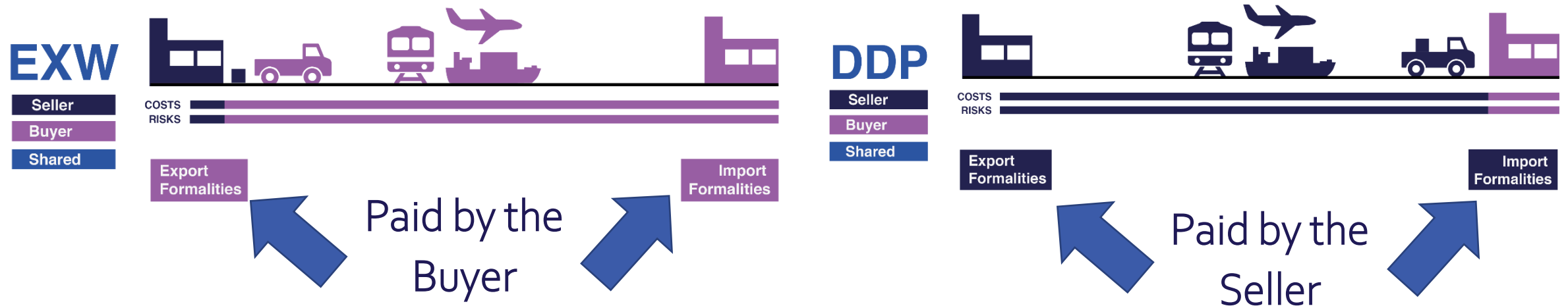


Costs

Understanding Costs of Carriage



Export & Import Costs

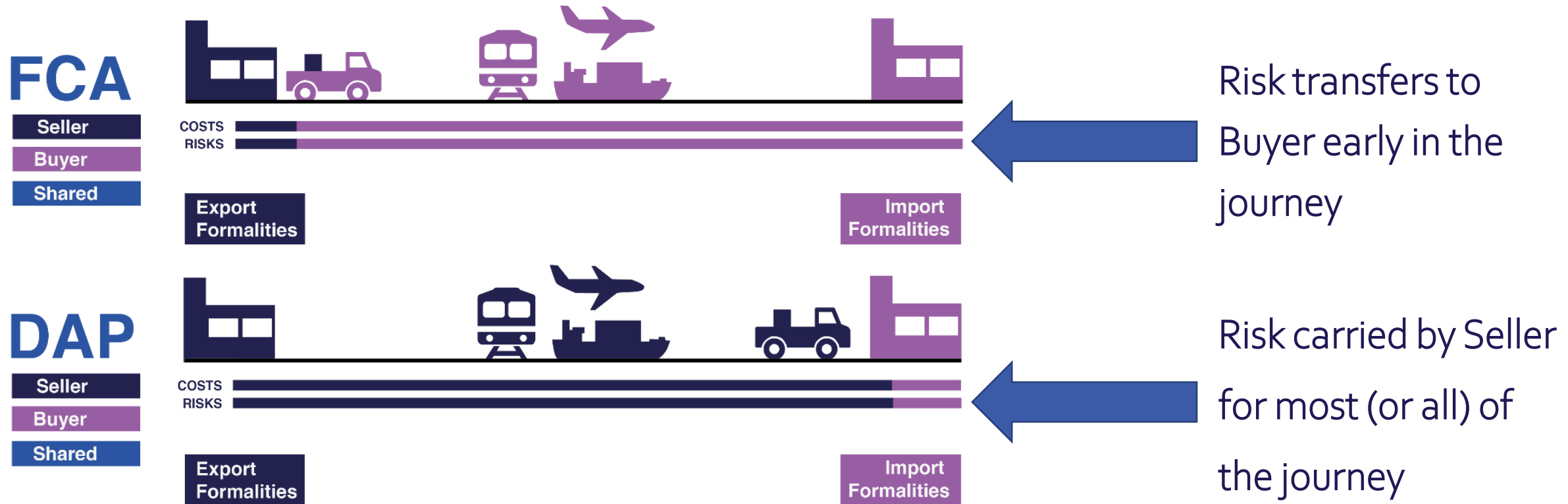


For all other rules:

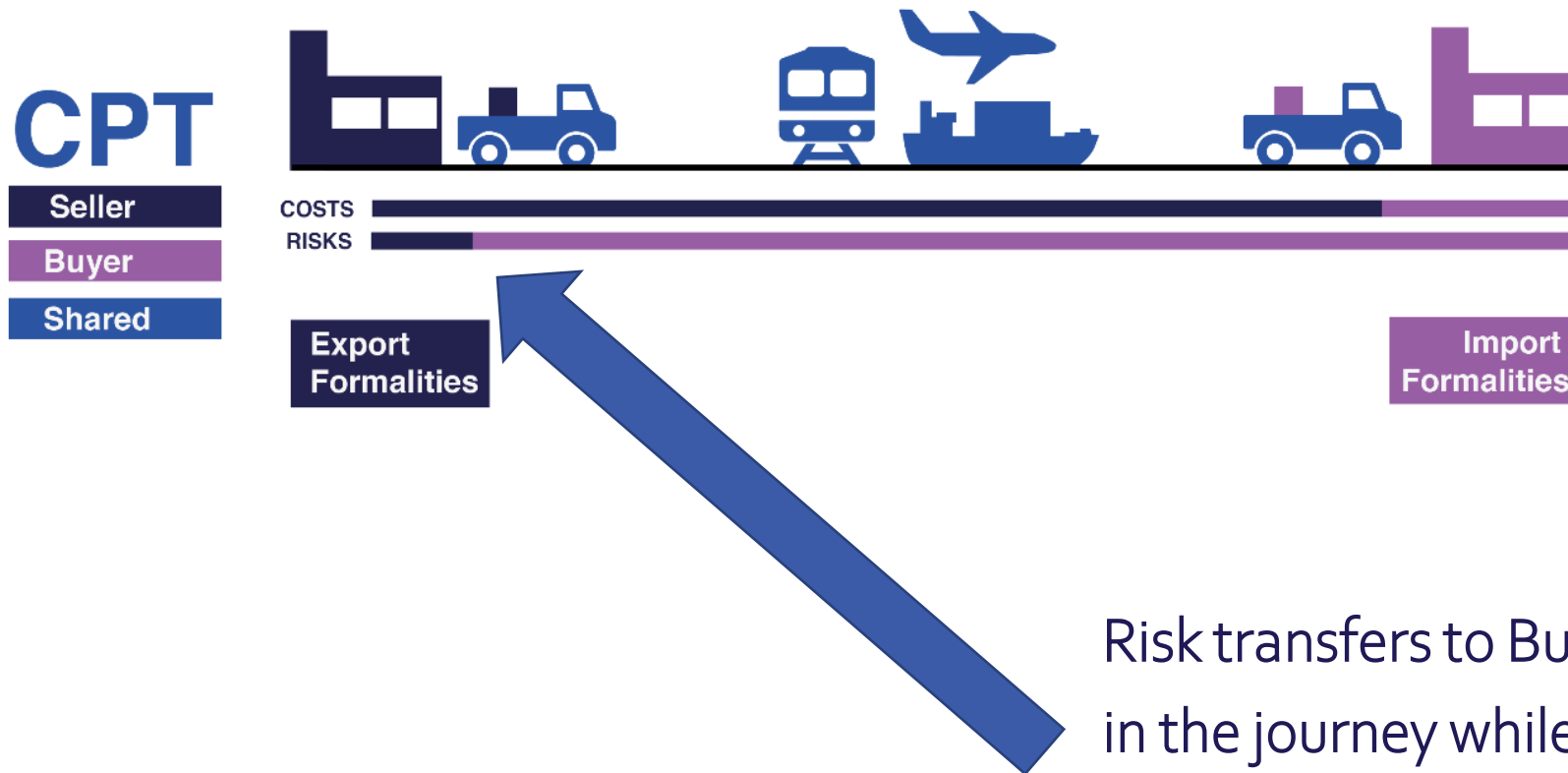
- **Export costs paid by the Seller**
- **Import costs paid by the Buyer**

Risks

Understanding Risk (to the goods)

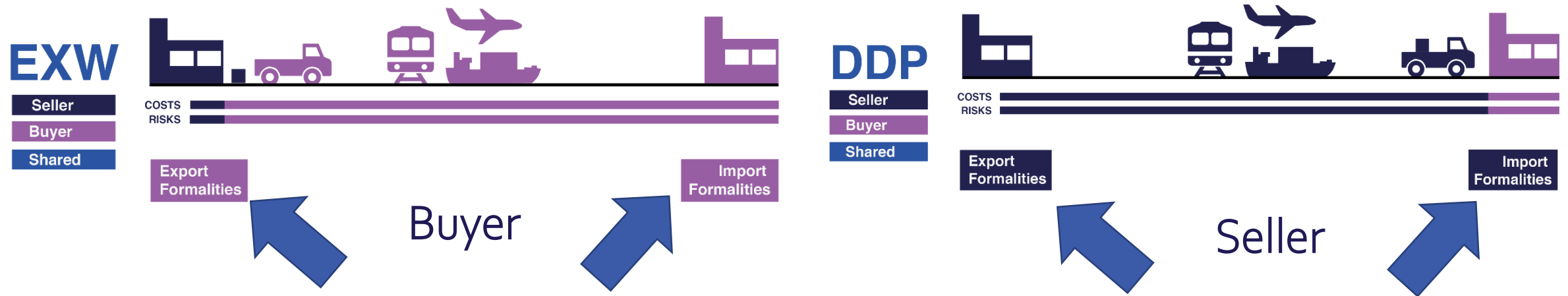


Understanding Risk (to the goods)



Obligations

Who Is Doing What?



For all other rules:

- Export formalities carried out by the Seller
- Import formalities carried out by the Buyer

What Goes Wrong?

Unable to prove export

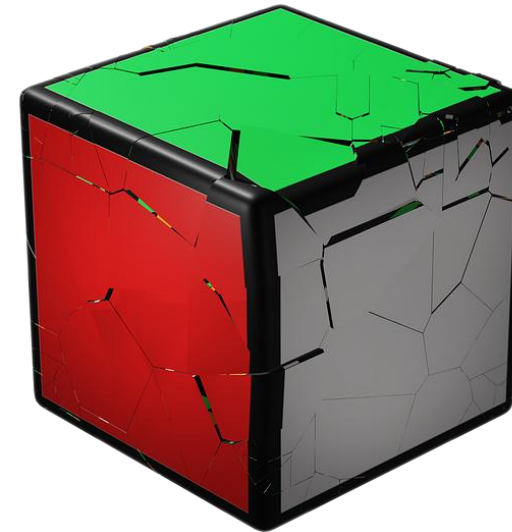


Exporting EXW:

- Seller doesn't carry out export formalities
- Unable to prove goods have been exported
- Unable to substantiate zero VAT
- Risk claim for VAT on sale from HMRC
- FCA would be a better rule – set up process for export declarations

Goods lost, damaged, destroyed

- Does the Seller have to replace?
- Does the Buyer have to pay the invoice?
- Who claims on insurance?



Who's clearing Customs?



Buyer may not understand obligations

- Goods stuck in Customs on import
- Buyer doesn't clear Customs
- Storage charges incurred
- Transporter charges to Seller!

Who's insuring the goods?



- Check who's carrying the risk – Seller or Buyer?
- If selling CIF or CIP – insurance is mandatory and your responsibility
- If buying under CIF or CIP – check your Seller knows their responsibility for insurance

Customer insists on DDP Delivered Duty Paid

- Consider the additional costs of overseas duty and taxes
- Can you recover import tax overseas?
- Review pricing and the profitability of the sale
- Is your customer aware of the additional value you are providing to them with DDP?



How to get it right

Checklist

- ☐ Learn about the Incoterms® rules
- ☐ Train Sales and Purchasing (as well as Import/Export Managers)
- ☐ Establish a Policy for your exports/imports
- ☐ Include an escalation process
- ☐ Never assume your suppliers/customers have the knowledge you have!

A Successful Approach

UNDERSTAND

Training & Support

FIX IT

Policies & Processes

KEEP IT FIXED

Do It All The Time



If you are conducting international trade
you are using Incoterms®

Incoterms® are too important to just use
You and your teams must understand them



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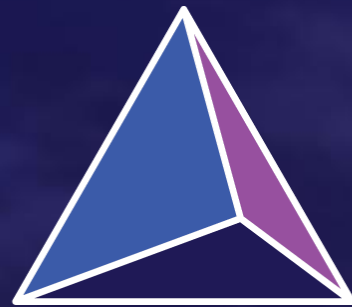
Help is available!

- Specialists such as International Trade Matters
- The International Trade team at your Chamber

*"You can't change what you
don't understand"*

Orson Scott Card, American Writer

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