

SMART Incoterms

Incoterms®

What are the Incoterms® rules?



International Commercial Terms.



Obligations of each party.



Establish the point in the journey where risk transfers from the seller to the buyer.



Do **NOT** participate in the passage of ownership title.

Incoterms®

Correct way to use Incoterms rules



INCOTERMS 2020
Point of Delivery and Transfer of Risk



Schneider Electric

Schneider Electric



Schneider Electric Global Incoterms Policy


by Global Supply Chain Logistics, Finance

Effective January 2019

Global Tax & Customs, Finance, and Transport Alignment


Intra group Trade Policy

1. SEA



		To		
From	Plant	Commercial Entity	Plant	Any DC
	Any DC	CPT*	FCA*	
		CPT*		

2. Air



		To		
From	Plant	Commercial Entity	Plant	Any DC
	Any DC	CPT*	FCA*	
		CPT*		

- EXW* and DDP* incoterms are forbidden (tax and customs risks).

Outside group Trade Policy

- **EXW** and **DDP** incoterms must not be used as they trigger huge risks for the Group

**Refer to the global policy for complete information.

- Apply the Group policy for IG & OG flows
- Hold requestor (origin) accountable for the cost.
- Outside Group trade: Strong recommendation from Schneider custom and trade compliance
 - **EXW and DDP incoterms must not be used as they trigger huge risks for the Group**
 - On the tax side for sales to OG customers, difficulty to justify the VAT exemption
 - On the customs side for OG purchases, when our Suppliers use our profile to clear the goods (if they have no Importer Of Record number)
- Work with Procurement & Commercial organizations to align systems and processes to the global policy

FCA – Free Carrier (Place of Destination)

- There can be 2 types of places of receipt when using FCA, seller's facility or another place (usually a freight forwarders facility or port/airport terminal).



SELLER

- The seller has no obligation to make a contract of carriage
- responsible for loading of the goods to the collection vehicle or they may be required to arrange for transport to a nominated place such as the terminal or a forwarders warehouse
- no obligation to insure but can if they wish arrange insurance up to the point of delivery to the carrier.
- The seller is required to clear the goods for export, if applicable.

BUYER

- The buyer is responsible for arranging carriage.
- Insurance is at buyers' risk, the buyer assumes all risks and from point of delivery to the carrier until received
- at destination costs after the goods have been delivered at the named place.

CPT - Carriage paid to (Place of Destination)

- *The seller pays transportation to the destination.*



SELLER

- costs of checking operations (checking quality, measuring, weighing, counting the goods)
- any additional costs related to the damage to the goods before delivery
- packaging and labeling costs, unless they are not required by the chosen type of transport

Recommended use within Schneider Electric

CPT (airport of destination) incoterms 2020

CPT (port of destination) incoterms 2020

CPT (destination distribution centre platform) incoterms 2020

CPT (freight forwarder destination platform) incoterms 2020

BUYER

- costs related to import, export, and transit clearance formalities
- any costs related to the goods from the moment of its delivery following the contract by the seller
- customs duties, taxes, and other charges
- any additional costs incurred by failing to take delivery of the goods

in addition, the buyer reimburses the seller for the costs incurred by providing to the buyer assistance with documentation for export, import or transit formalities.

EXW - Ex Works (Place of Delivery)

Not to USE in SE

- *The seller has a minimum obligation, and the buyer must bear all costs and risks involved in pick up and transportation of goods from the seller's premises*

EXW - INCOTERMS® 2020



SELLER

- costs of checking operations (checking quality, measuring, weighing, counting the goods)
- any additional costs related to the damage to the goods before delivery
- packaging and labeling costs, unless they are not required by the chosen type of transport

BUYER

- costs related to import, export, and transit clearance formalities
- any costs related to the goods from the moment of its delivery following the contract by the seller
- customs duties, taxes, and other charges
- any additional costs incurred by failing to take delivery of the goods
- in addition, the buyer reimburses the seller for the costs incurred by providing to the buyer assistance with documentation for export, import or transit formalities.

DDP – Delivery Duty Paid (Place of Destination)

Not to USE in SE

- *The seller delivers goods until the final point agreed with the buyer with customs import clearance paid and goods unloaded. It represents the maximum risk for the seller.*



SELLER

- all costs of control activities (quality control, measurement, weighing of goods)
- costs for customs clearance, export, import, and transit.
- costs for unloading at the destination
- cost of delivery of the delivery note
- charges paid by the buyer in connection with the assistance in the provision of documents relating to the transport.

BUYER

- cost of the products according to the contract of sale
- charges relating to goods after the delivery
- unloading costs
- any additional costs incurred by the seller if the buyer does not comply with the obligation to assist in obtaining the necessary documents or if he does not inform the exporter of the time and place of delivery.

Appendix

Groups	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode or Modes of Transport				
Incoterm®	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAP	DPU	DDP
	Ex Works (Place)	Free Carrier (Place)	Free Alongside Ship (Port)	Free On Board (Port)	Cost and Freight (Port)	Cost Insurance & Freight (Port)	Carriage Paid To (Place)	Carriage & Insurance Paid to (Place)	Delivered at Place (Place)	Delivered at Place Unloaded (Place)	Delivered Duty Paid (Place)
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place	At Named Place Unloaded	At Named Place
Obligations & Charges:											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Customs Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	*Seller	Negotiable	**Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

SE Incoterms

Internal memo

Supply Chain Logistics & Data – Finance

to: Supply Chain Leadership

date: February, 2019

from: Pierre Gunnarsson, Stuart Whiting

copy to: Taxes and Customs


subject: Air / Express / Ocean Group Incoterm policy update, effective January 14th 2019

Incoterms (International Commercial TERMS) are trade terms reflecting business-to-business practice in contracts for the sale of goods. They describe mainly the **tasks, costs and risks**, and some **customs and insurance** considerations involved in the delivery of goods from sellers to buyers.

Intra Group trade: Group decision to apply the following new Incoterm policy


- Following the need for better control on our Air and Express spend and align Planning and transport cost spend for each region, we have decided to modify our Air and Air Express Incoterm in order for the destination to support the cost of their decision. The region ordering Air and Express will be the region impacted in his own P&L.
- Incoterm matrix defining the Incoterm decision per transport mode and shipper/consignee profiles

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- EXW* and DDP* incoterms are forbidden (tax and customs risks).

Outside Group trade: Strong recommendation from Schneider custom and trade compliance

- EXW* and DDP* incoterms must not be used as they trigger huge risks for the Group:
 - On the tax side for sales to OG customers, difficulty to justify the VAT exemption
 - On the customs side for OG purchases, when our Suppliers use our profile to clear the goods (if they have no Importer Of Record number)

As far as the 2019 performance is concerned (AOC) and to ensure a proper deployment a prior restatement of the baseline will be done

Pierre GUNNARSSON
GSC Finance SVP

Stuart WHITING
GSC SCLD SVP

INCOTERMS DEFINITION AND RECOMMENDED USE

FCA (named place of destination) incoterms 2010 – Free Carrier

Official definition

"Free Carrier" means that the seller delivers the goods to the carrier or another person nominated by the buyer at the seller's premises or another named place. The parties are well advised to specify as clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

If the parties intend to deliver the goods at the seller's premises, they should identify the address of those premises as the named place of delivery at another place, they must identify specific place of delivery.

FCA requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear goods for import, pay any import duty or carry out any import formalities

Recommended use within Schneider Electric

FCA (Factory) incoterms 2010

FCA (Export platform) incoterms 2010

CPT (named place of destination) incoterms 2010 – Carriage Paid to

Official definition

The seller pays for the carriage of the goods up to the named place of destination. However, the goods are considered to be delivered when the goods have been handed over to the first or main carrier, so that the risk transfers to buyer upon handing goods over to that carrier at the place of shipment in the country of Export.

The seller is responsible for origin costs including export clearance and freight costs for carriage to the named place of destination (either the final destination such as the buyer's facilities or a port of destination. This has to be agreed by seller and buyer, however).

Recommended use within Schneider Electric

CPT (airport of destination) incoterms 2010

CPT (port of destination) incoterms 2010

CPT (destination distribution centre platform) incoterms 2010

CPT (freight forwarder destination platform) incoterms 2010

EXW EX Works (named place or origin) incoterms 2010 - EX Works

Official definition

"Ex Works" means that the seller delivers when it places the goods at the disposal of the buyer at the seller's premises or at another named place (i.e., works, factory, warehouse, etc.). The seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.

The parties are well advised to specify as clearly as possible the point within the named place of delivery, as the costs and risks to that point are for the account of the seller. The seller bears all costs and risks involved in taking the goods from the agreed point, if any, at the named place of delivery.

EXW represents the minimum obligation for the seller. The rule should be used with care as:

a) The seller has no obligation to the buyer to load the goods, even though in practice the seller may be in a better position to do so. If the seller does load the goods, it does so at the buyer's risk and expense. In cases where the seller is in a better position to load the goods, FCA, which obliges the seller to do so at its own risk and expense, is usually more appropriate.

b) A buyer who buys from a seller on an EXW basis for export needs to be aware that the seller has an obligation to provide only such assistance as the buyer may require to effect that export: the seller is not bound to organize the export clearance. Buyers are therefore well advised not to use EXW if they cannot directly or indirectly obtain export clearance.

c) The buyer has limited obligations to provide to the seller any information regarding the export of the goods. However, the seller may need this information for, e.g., taxation or reporting purposes.

DDP (named place of destination) incoterms 2010 – Delivered Duty Paid

Official definition

"Delivered Duty Paid" means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.

DDP represents the maximum obligation for the seller.

The parties are well advised to specify as clearly as possible the point within the agreed place of destination, as the costs and risks to that point are for the account of the seller. The seller is advised to procure contracts of carriage that match this choice precisely. If the seller incurs costs under its contract of carriage related to unloading at the place of destination, the seller is not entitled to recover such costs from the buyer unless otherwise agreed between the parties.

The parties are well advised not to use DDP if the seller is unable directly or indirectly to obtain import clearance.

If the parties wish the buyer to bear all risks and costs of import clearance, the DAP rule should be used.

Any VAT or other taxes payable upon import are for the seller's account unless expressly agreed otherwise in the sale contract.

Life Is On



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