



OM TRANS

Licensed customs broker

PRACTICAL GUIDE

INCOTERMS® 2020

Understanding the 11 international trade rules
and their impact on your import-export operations

Costs · Risks · Formalities: who does what, and when?

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Algiers (Head office) · Béjaïa — Licensed by Algerian Customs since 1999

OVERVIEW

What are the Incoterms®?

The Incoterms® (International Commercial Terms) are rules published by the International Chamber of Commerce (ICC). In three letters, they set out how costs, risks and formalities are shared between seller and buyer in an international sale. The version in force is the 2020 edition, which comprises 11 rules.

Incoterms DO DEFINE

- ✓ The point of delivery of the goods
- ✓ The transfer of risk (theft, loss, damage)
- ✓ The allocation of carriage costs
- ✓ Who handles customs formalities
- ✓ Who takes out insurance

They DO NOT cover

- ✗ Transfer of ownership
- ✗ Price and payment terms
- ✗ The law applicable to the contract
- ✗ Remedies in case of commercial dispute

Two families of rules

1. Any mode of transport

EXW · FCA · CPT · CIP · DAP · DPU · DDP — road, air, rail, sea, or a combination.

2. Sea and inland waterway transport only

FAS · FOB · CFR · CIF — goods delivered alongside or on board a vessel.

Good habit: for a container, prefer FCA / CPT over FOB / CFR, because risk is poorly defined once the box is handed over at the terminal.

METHOD

How to read an Incoterm

An Incoterm is always followed by a specific place and the version. The named place changes everything: it sets the exact point where costs and risks switch over.

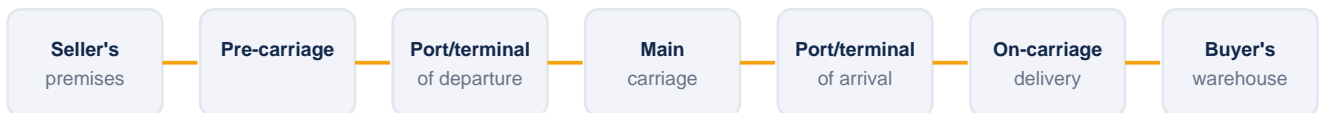
FOB Port of Algiers Incoterms® 2020

rule + named place + version

Risk and cost: two separate points

With the C-rules (CPT, CIP, CFR, CIF), the seller pays carriage to destination, but risk transfers much earlier — on handover to the carrier or on loading on board. This is the most common pitfall: paying for carriage does not mean bearing the risk during that carriage.

The logistics chain, step by step



Depending on the chosen Incoterm:

EXW transfers everything at the seller's premises · FOB/FCA switch at departure · the C-rules move costs to arrival but not risk · DAP/DPU/DDP carry the risk all the way to the buyer's place of destination.

FAMILY 1 — ANY MODE OF TRANSPORT

The 7 multimodal rules

EXW

Incoterms® 2020

Ex Works

FR : À l'usine

The seller makes the goods available at its own premises (factory, warehouse). This is the seller's minimum obligation.

Delivery Seller's premises, goods not loaded.

Risk transfer As soon as the goods are placed at the buyer's disposal at the seller's premises.

Export clearance Buyer's responsibility.

Key point Everything falls on the buyer. Poorly suited to an Algerian importer with no control over export at origin.

■ Cost borne by the seller ● Risk transfer



FCA

Incoterms® 2020

Free Carrier

FR : Franco transporteur

The seller hands over the export-cleared goods to the carrier nominated by the buyer, at an agreed place.

Delivery To the carrier, at the seller's premises or another agreed place.

Risk transfer On handover to the first carrier.

Export clearance Seller's responsibility.

Key point The most flexible and modern rule, recommended for containers (on-board bill of lading option since 2020).

■ Cost borne by the seller ● Risk transfer



CPT

Incoterms® 2020

Carriage Paid To

FR : Port payé jusqu'à

The seller pays the main carriage to the agreed place of destination, but risk transfers much earlier.

Delivery On handover to the first carrier (≠ destination).

Risk transfer On handover to the first carrier, even though the seller pays all the way.

Insurance No obligation.

Key point Beware the gap: the seller pays carriage to destination but no longer bears the risk during that leg.

■ Cost borne by the seller ● Risk transfer



DDP

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Delivered Duty Paid

FR : *Rendu droits acquittés*

The seller's maximum obligation: it delivers the goods cleared for import, duties and taxes paid.

Delivery At the agreed place, import-cleared, not unloaded.

Risk transfer On arrival at the agreed place.

Import clearance Seller's responsibility.

Key point Hard to apply for imports into Algeria: a foreign seller rarely masters local clearance and VAT. Avoid except in special cases.



FAMILY 2 — SEA AND INLAND WATERWAY

The 4 sea rules

FAS

Incoterms® 2020

Free Alongside Ship

FR : *Franco le long du navire*

The seller delivers the goods alongside the vessel (quay or barge) at the agreed port of shipment.

Delivery Alongside the vessel, at the port of shipment.

Risk transfer Once the goods are placed alongside the vessel.

Export clearance Seller's responsibility.

Key point For conventional cargo (bulk, heavy lifts), not for containers.



SUMMARY

Responsibility summary table

S = Seller's responsibility · B = Buyer's responsibility · — = no obligation.

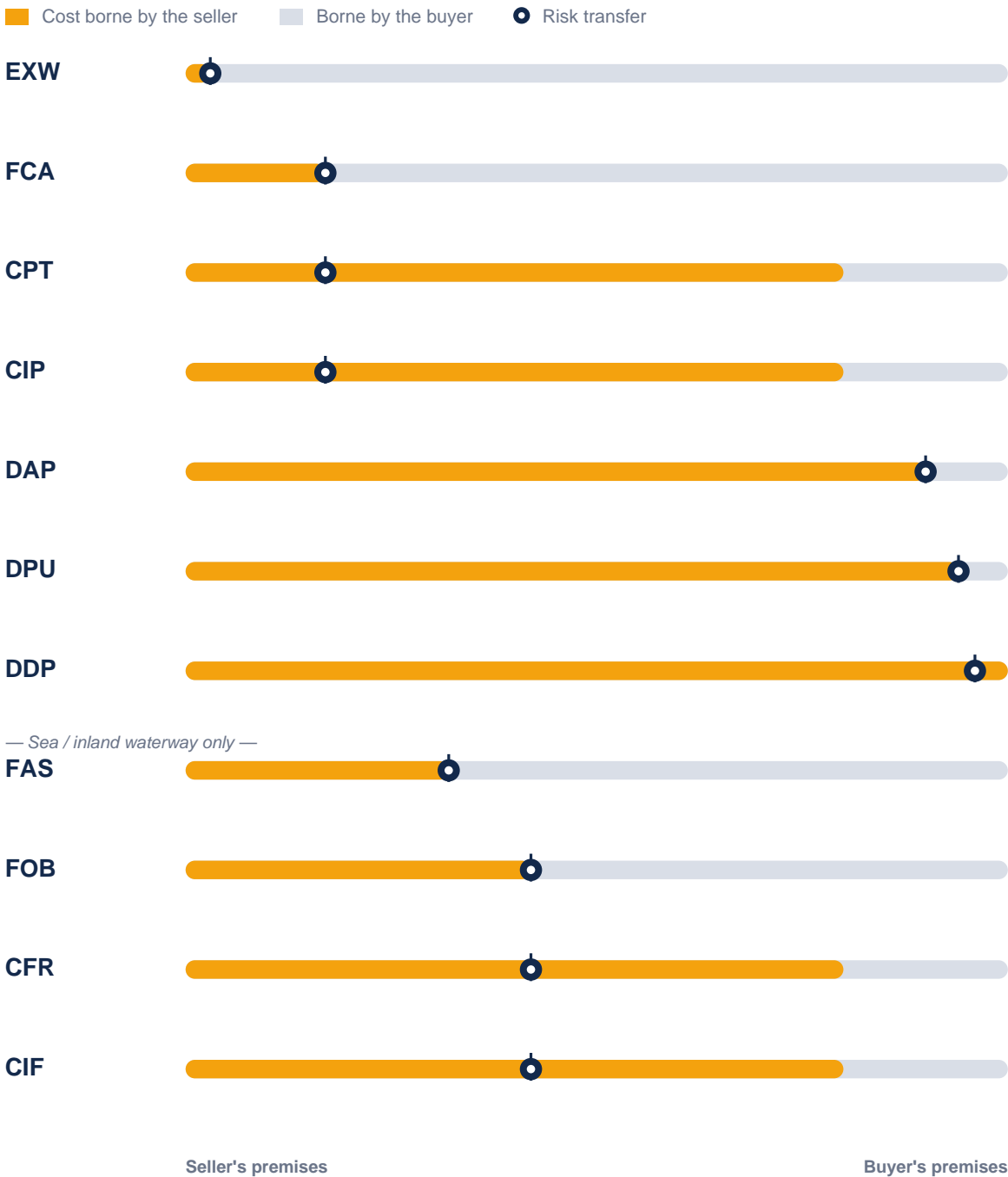
Rule	Export clearance	Main carriage	Insurance	Import clearance
EXW	B	B	—	B
FCA	S	B	—	B
CPT	S	S	—	B
CIP	S	S	S	B
DAP	S	S	—	B
DPU	S	S	—	B
DDP	S	S	—	S
— sea / inland waterway only —				
FAS	S	B	—	B
FOB	S	B	—	B
CFR	S	S	—	B
CIF	S	S	S	B

Special case DPU: the only rule where the seller unloads the goods at destination. For CIP insurance is extended (clauses A), for CIF it stays minimal (clauses C).

VISUAL

Cost and risk: who bears what?

For each rule: the gold bar shows how far the seller's costs go; the dot marks the point where risk passes to the buyer.



The C-rules (CPT, CIP, CFR, CIF) clearly show the pitfall: a long gold bar (costs paid far) but an early dot (risk already transferred).

Incoterms & customs value

In Algeria, the import customs value is in principle the CIF value: price of the goods + freight + insurance to the point of entry into the territory (in line with the WTO Customs Valuation Agreement). The chosen Incoterm determines what is already included in the invoice and what must be added to rebuild that value.

FOB purchase Add freight + local insurance to obtain the declared CIF value.

CFR purchase Freight is included; add the insurance taken out in Algeria.

CPT purchase Carriage included to the agreed place; add local insurance.

EXW purchase Add pre-carriage, handling, freight and local insurance.

Recommendations for an Algerian importer

- Insurance must be local: Algerian regulations require imported goods to be insured with a company established in Algeria. CIF and CIP (insurance taken out abroad) are therefore not used.
- Buy instead CFR (sea) or CPT (multimodal), then take out insurance with an Algerian insurer.
- Avoid DDP: a foreign supplier rarely masters Algerian customs clearance and taxation.
- EXW shifts export at origin onto you: only accept it with a correspondent on the ground.
- Declare the exact Incoterm and named place: they drive the calculation of duties and taxes.



OM TRANS

Unsure which Incoterm to choose?

The choice of Incoterm drives your costs, your risks and the amount of your customs duties. Our customs declarants advise you on the rule best suited to each operation, even before you place the order.

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