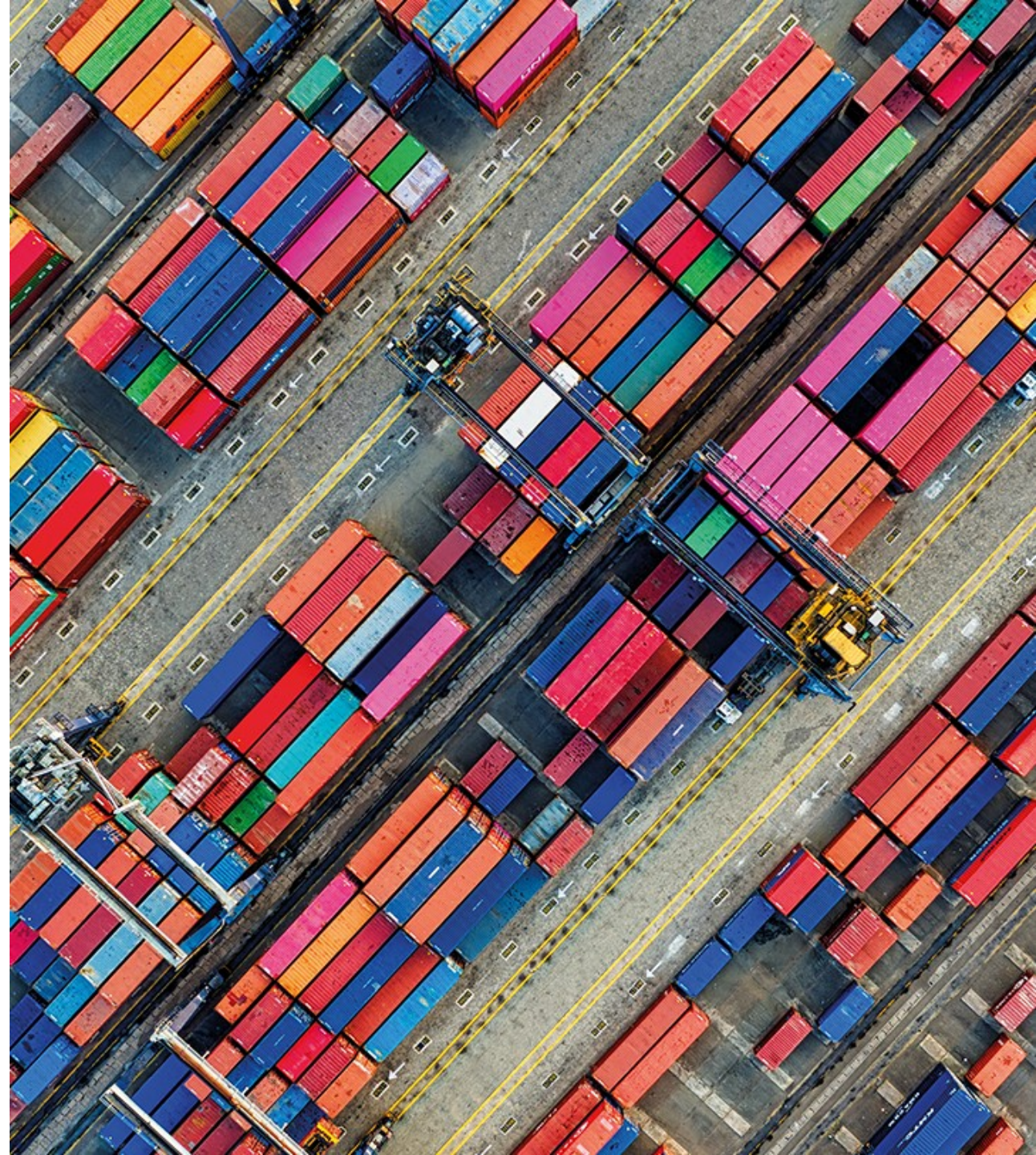


MUNI
ECON

Terms of Sale and of Payment

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When and where:

1. title to the goods
2. responsibility (insurance)
3. care for shipment
4. responsibility for paying and arranging changes
5. payment for the goods

Terms of sale

1. Cost of the product
2. Risk of physical loss
3. Cost of moving
4. Jurisdiction: Incoterms

Examples of customs duties

1.Third Country Duty: This is a standard customs duty applied to goods imported from non-EU countries. For instance, electronics imported from the United States might be subject to a specific duty rate.

2.Anti-Dumping Duties: These are additional duties imposed on imports believed to be priced below fair market value. For example, certain steel products from China have faced anti-dumping duties to protect EU manufacturers.

Examples of customs duties

Product: Bicycles

Tariff Code: 8712 00 30

Duty Rate: 14%

Bicycles imported into the EU from non-EU countries are subject to a 14% customs duty¹.

Examples of customs duties

Today

(October 8th, 2024, aktualne.cz)

China has changed its stance. It will impose a provisional duty of up to 39 percent on brandy imports from the European Union

China will impose provisional anti-dumping duties of 30.6 to 39 percent on brandy imports from the European Union. This was announced today by the Chinese Ministry of Commerce.

Examples of quotas

1. Tariff Quotas: These allow a certain quantity of goods to be imported at a reduced duty rate. For example, the EU has tariff quotas for agricultural products like sugar and beef, allowing a set amount to be imported at lower tariffs.

2. Preferential Tariff Quotas: Under trade agreements, the EU grants reduced tariffs for a specific volume of goods from certain countries. For instance, under the EU-Mercosur agreement, there are quotas for beef imports from South American countries.

3. Autonomous Tariff Quotas: These are set for raw materials or semi-finished goods not sufficiently available within the EU. For example, certain chemicals and industrial components might be imported under these quotas to support EU industries.

Examples of quotas

Product: Beef

Tariff Quota: Under the EU's tariff rate quota (TRQ) system, a specific quantity of beef can be imported at a reduced duty rate.

Quota Details: For example, the EU allows a quota of **45,000 tonnes** of high-quality beef to be imported annually at a reduced tariff rate¹.

Quantities exceeding this quota are subject to higher duty rates. This system helps manage the supply of beef in the EU market while supporting local producers.

Examples of dumping prices

Currently, several products are under scrutiny for potential dumping in the EU market. Here are a few examples:

1. Automotive Products: There have been concerns about certain automotive parts and vehicles from China being sold at prices below fair market value¹.

2. Metals: Various metal products, including steel and aluminum, are often investigated for dumping, particularly from countries like China¹.

3. Chemicals: Specific chemicals, such as polyethylene terephthalate (PET), have been subject to anti-dumping duties to protect EU industries².

These investigations aim to ensure fair competition and protect EU industries from unfair pricing practices.

Terms of sale

1. Cost of the product
2. Risk of physical loss
3. Cost of moving
4. Jurisdiction: Incoterms

Example

"Imagine the incredible intricacies of a case involving any given product sold in a country A to a buyer in country B, who makes credit arrangements at a bank in country C, with the product loaded on board a ship registered in country D, and with a master from country E. The ship sinks off the coast of country F, while her "sunken" cargo appears in country G. And this listing of nationalities does not even account for the dozen or two dozen countries from which the sailors hail who might have to be summoned as potential witnesses...The question is, where is the venue? Which country can dispose of the case?"¹¹

Incoterms: selling terms (2020 edition)

Group E – Departure

EXW – Ex Works (named place)

This trade term places the greatest responsibility on the buyer and minimum obligations on the seller. The Ex Works term is often used when making an initial quotation for the sale of goods without any costs included.

EXW means that a seller has the goods ready for collection at his premises (Works, factory, warehouse, plant) on the date agreed upon.

The buyer pays all transportation costs and also bears the risks for bringing the goods to their final destination.

Group F – Main carriage unpaid

FCA – Free Carrier (named places)

The seller hands over the goods, cleared for export, into the custody of the first carrier (named by the buyer) at the named place. This term is suitable for all modes of transport, including carriage by air, rail, road, and **containerised** / multi-modal sea transport. This is the correct "freight collect" term to use for sea shipments in containers, whether LCL (less than container load) or FCL (full container load).

FAS – Free Alongside Ship (named loading port)

The seller must place the goods alongside the ship at the named port. The seller must clear the goods for export. Suitable only for **maritime** transport only but NOT for multimodal sea transport in containers. This term is typically used for heavy-lift or bulk cargo.

Incoterms: selling terms

Group F – Main carriage unpaid

FOB – Free on board (named loading port)

The seller must themselves load the goods on board the ship nominated by the buyer, cost and risk being divided at ship's rail. The seller must clear the goods for export. **Maritime** transport only but NOT for multimodal sea transport in containers. The buyer must instruct the seller the details of the vessel and port where the goods are to be loaded, and there is no reference to, or provision for, the use of a carrier or forwarder. It DOES NOT include Air transport. This term has been greatly misused over the last three decades ever since Incoterms 1980 explained that FCA should be used for container shipments.

Group C – Main carriage paid

CFR – Cost and Freight (named destination port)

Seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods have crossed the ship's rail. **Maritime** transport only and Insurance for the goods is NOT included. Insurance is at the Cost of the Buyer.

CIF – Cost, Insurance and Freight (named destination port)

Exactly the same as CFR except that the seller must in addition procure and pay for insurance for the buyer. **Maritime** transport only.

CPT – Carriage Paid To (named place of destination)

The general/**containerised**/multimodal equivalent of CFR. The seller pays for carriage to the named point of destination, but risk passes when the goods are handed over to the first carrier.

CIP – Carriage and Insurance Paid (To) (named place of destination)

The **containerised** transport/multimodal equivalent of CIF. Seller pays for carriage and insurance to the named destination point, but risk passes when the goods are handed over to the first carrier.

Incoterms: selling terms

Group D – Arrival

DAP (Delivered at Place)

Seller delivers the goods when they are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. Parties are advised to specify as clearly as possible the point within the agreed place of destination, because risks transfer at this point from seller to buyer. If the seller is responsible for clearing the goods, paying duties etc., consideration should be given to using the DDP term.

DPU (Delivered at Place Unloaded)

Seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination. "Terminal" includes quay, warehouse, container yard or road, rail or air terminal. Both parties should agree the terminal and if possible a point within the terminal at which point the risks will transfer from the seller to the buyer of the goods. If it is intended that the seller is to bear all the costs and responsibilities from the terminal to another point, DAP or DDP may apply.

DDP – Delivered Duty Paid (named destination place)

This term means that the seller pays for all transportation costs and bears all risk until the goods have been delivered and pays the duty. Also used interchangeably with the term "Free Domicile". The most comprehensive term for the buyer. In most of the importing countries, taxes such as (but not limited to) VAT and excises should not be considered prepaid being handled as a "refundable" tax. Therefore, VAT and excises usually are not representing a direct cost for the importer since they will be recovered against the sales on the local (domestic) market.



COUNTRY, CITY, PLACE OF ORIGIN

TRANSPORTATION

COUNTRY, CITY, PLACE OF DESTINATION

Incoterms® 2020 ICC | Rules for any mode or modes of transport

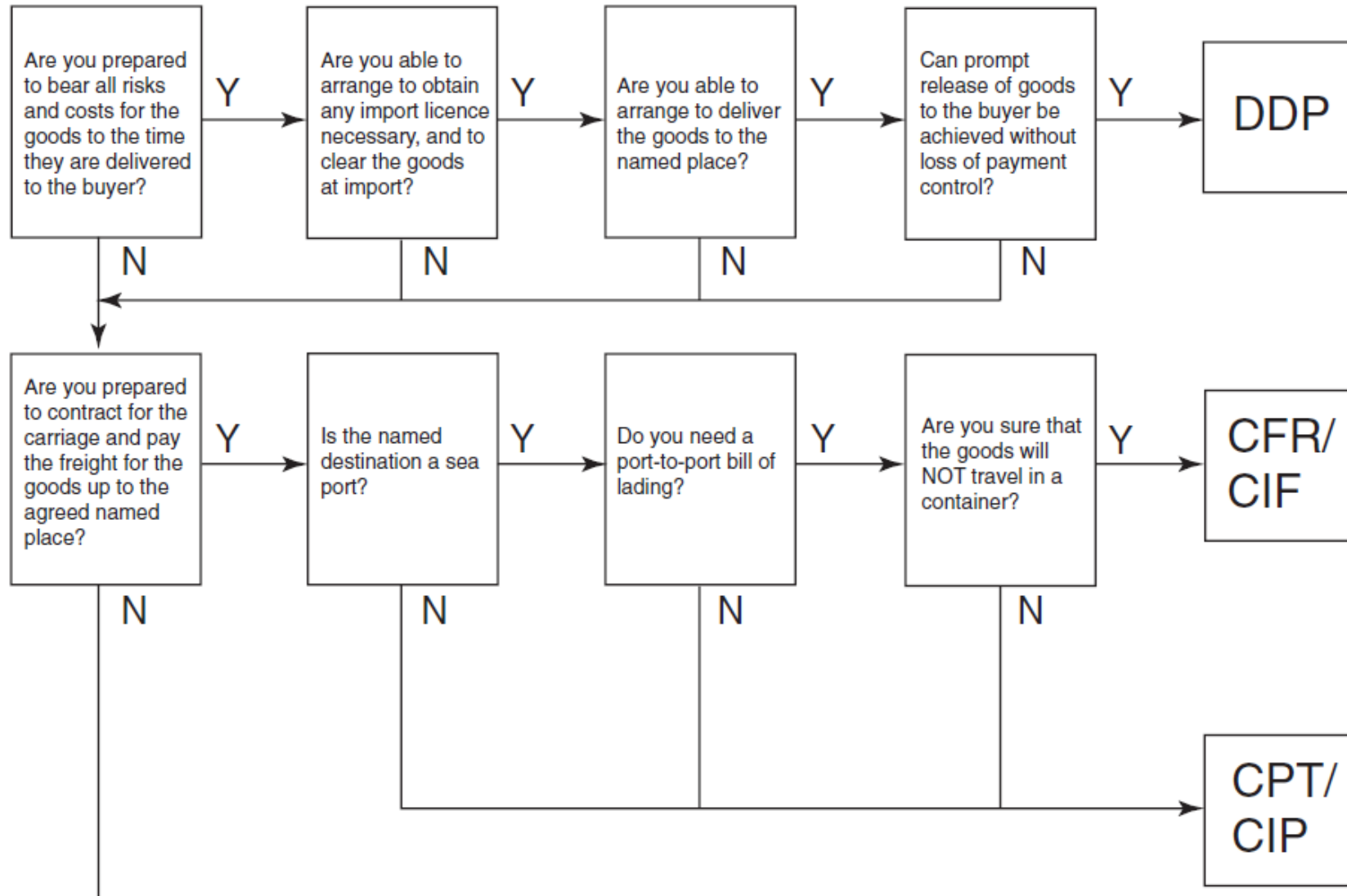
Incoterms	Category	Country, City, Place of Origin	Transportation	Country, City, Place of Destination
EXW	COST	Buyer	Buyer	Buyer
	RISK	Buyer	Buyer	Buyer
FCA	COST	Seller	Buyer	Buyer
	RISK	Seller	Buyer	Buyer
CPT	COST	Seller	Seller	Buyer
	RISK	Seller	Seller	Buyer
CIP	COST	Seller	Seller	Buyer
	RISK	Seller	Seller	Buyer
	INSURANCE	Seller	Seller	Buyer
DAP	COST	Seller	Seller	Buyer
	RISK	Seller	Seller	Buyer
DPU	COST	Seller	Seller	Buyer
	RISK	Seller	Seller	Buyer
DDP	COST	Seller	Seller	Buyer
	RISK	Seller	Seller	Buyer

Incoterms® 2020 ICC | Rules for maritime transport and inland waterways

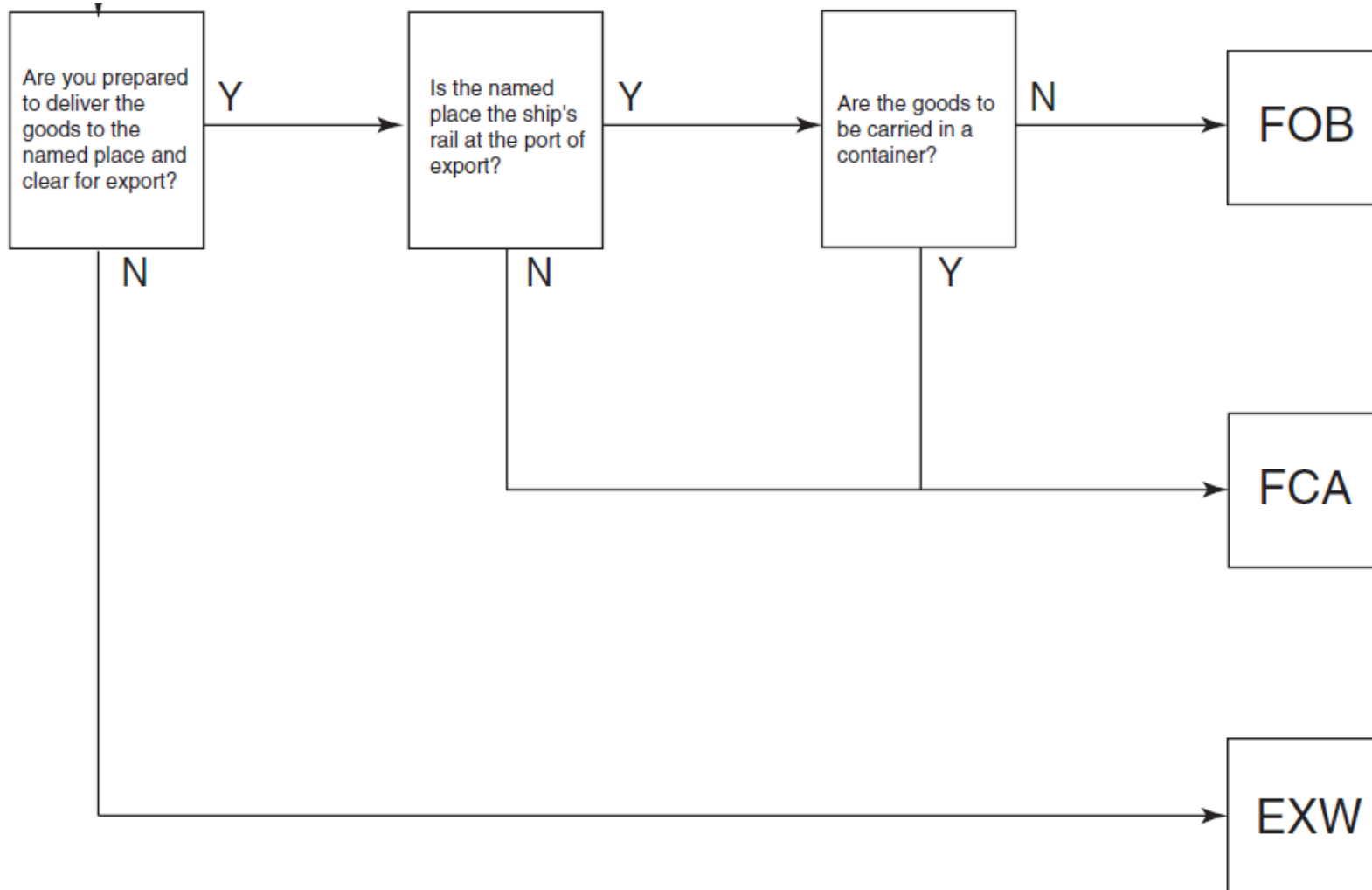
Incoterms	Category	Country, City, Place of Origin	Transportation	Country, City, Place of Destination
CFR	COST	Seller	Seller	Buyer
	RISK	Seller	Seller	Buyer
FOB	COST	Seller	Buyer	Buyer
	RISK	Seller	Buyer	Buyer
FAS	COST	Seller	Buyer	Buyer
	RISK	Seller	Buyer	Buyer
CIF	COST	Seller	Seller	Buyer
	RISK	Seller	Seller	Buyer
	INSURANCE	Seller	Seller	Buyer

SELLER BUYER

Incoterm Guide



Incoterm Guide



Incoterms

Pros

- Easily understood terms
- International standardization
- Updated and clarified by an international body (ICC)

Cons

- Differences between buyer and seller preferences when choosing terms
- Certain terms can expose one party to inflated costs

Terms of Payment

1. amount of supplier's credit
2. direct deal or intermediaries
3. open accounts, progress payments, options, bonuses and penalties
4. risk of being paid and of receiving the goods – how to solve it

Documents related to terms of sale

1. Bill of Exchange (sight, documents against acceptance, date/time)
2. Bill of Lading (more details next week)
3. Documentary Letters of Credit

BILL OF EXCHANGE

Draft No. MD-01

For USD30,804.70

Date: APR 30 2008

At ***** sight of this **FIRST** of Exchange (Second the same tenor and date being unpaid)

Pay to the order of **COMMERCIAL BANK, LTD.**

the sum of SAY TOTAL U.S. DOLLARS THIRTY THOUSAND EIGHT HUNDRED FOUR AND CENTS SEVENTY ONLY.

value received

Drawn under

Irrevocable L/C No. 073708010006

dated JANUARY 28, 2008

To

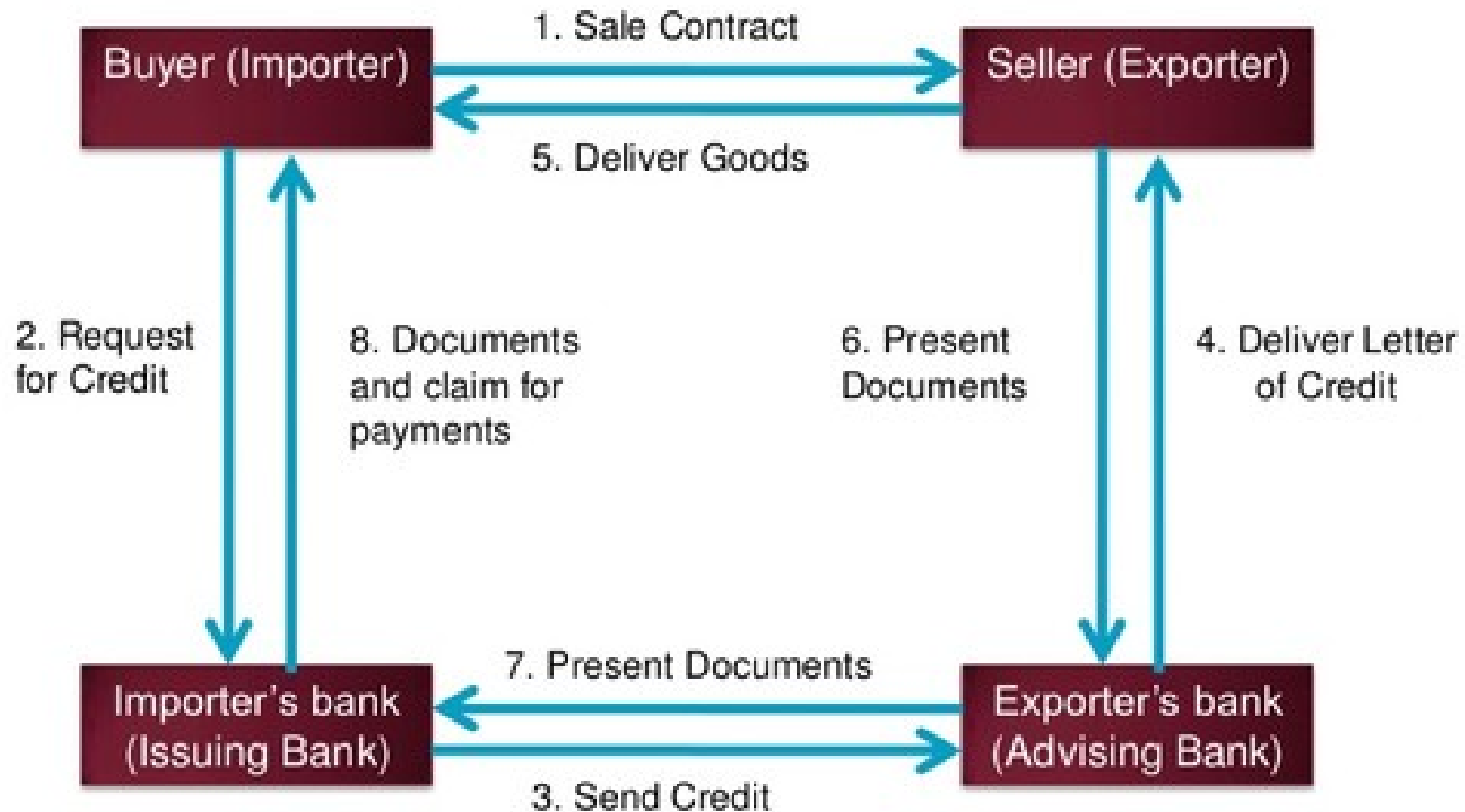
AUTO CO. LTD.

Daniel

...AUTHORIZED SIGNATURE...

Letter of Credit

LETTER OF CREDIT: PROCEDURE



UCP500

Facsimile signed documents

Banks treat a facsimile signature as the equivalent of a hand signature. Accordingly, a document that appears to bear the document issuer's facsimile signature is also treated as an original document.

Photocopies

Banks treat as non-original any document that appears to be a photocopy of another document. If, however, a photocopy appears to have been completed by the document issuer's hand marking the photocopy, then, consistent with . . . , the resulting document is treated as an original document unless it indicates otherwise. . . .

Example

Subj.: Your enquiry of 8Th April

In reply to your letter, we are pleased to quote for the hotel furniture and fittings which interest you.

Prices: CIF Alexandria, Incoterms 2010

Packing: one 40' container

Payment: by L/C on our bank BNM Agenzia 4

Delivery: by the end of July as requested if order received before
20th May 2010

Since the UCP 500 (Uniform Customs and Practice for Documentary Credits - International Chamber of Commerce Publication No. 500) came into effect in January 1, 1994, introducing the new rules governing letters of credit (or documentary credits) operations, there have been many disputes over the conformity of the bills of lading to the UCP 500 articles. The main reason is that certain bills of lading that were compliant under the old UCP 400 rules are now no more acceptable by the banks.

As a result, 90% of bills of lading in the U.S.A. and 60% in the U.K. are rejected by the banks. This does not in fact affect the carriers or the banks, even though the bills of lading cannot meet the bankers' requirements under the new rules. The customers of the banks or the carriers, for example, the shippers, the consignees and the notified parties, are the ones that suffer, even though they have done nothing wrong.

Payment modes

1. Cash in advance
2. Letters of credit
3. Sight drafts/documents against payment
4. Date drafts/documents against acceptance
5. Open account

Exercise

1. Which Incoterms represent the minimum and maximum obligation for the supplier respectively?
2. Which Incoterms refer specifically to transport by sea?
3. What does the customer have to pay for under FOB terms?
4. At what point of a business transaction has the supplier fulfilled his/her obligations under FAS terms?
5. What is the main difference between DAP terms and DPU terms?
6. Does the supplier bear more responsibility under CIF or CIP terms?

Study material: Chapter 11

International Logistics (2nd Edition)

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Available at:

<http://site.ebrary.com/lib/masaryk/>