



INTERNATIONAL COMMERCIAL TERMS AND THEIR NECESSITY FOR THE LOGISTICS

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Abstract

The main target of the article is the methodical summation of the International Commercial Terms pricing. International Commercial Terms (INCOTERMS) are necessary for the logistics from the point of view of the attributable costs of the customs procedure and set of international rules for the interpretation of the most commonly used trade clauses in foreign trade. Article will be focused to the INCOTERMS and rules how is procedure of enumeration of costs of the customs procedure in practice. The cost calculation affects the basic parameters of the transported goods, such as weight, dimensions, method of packing, storage, handling of goods and others.

Keywords: InCoTerms, logistics, transport, customers, taxes, cost

1. INTRODUCTION

Incoterms (from the English International Commercial Terms - international commercial terms) is a set of international rules for the interpretation of the most commonly used commercial clauses in international trade. The Incoterms were created in 1936 in Paris. The International Chamber of Commerce issued them in order to remove the problems associated with differences business of the scribes in different countries. Because international trade was passing through a major change, they have been in years 1953, 1967, 1976, 1980, 1990, 2000 and in 2010, Incoterms gradually modified until today (**Table 1**). Day 1. January 2011 entered into force the eighth edition, Incoterms 2010 [1,2].

The main scientific objective of the contribution is the methodical summation of the International Commercial Terms pricing. In terms of scientific and analytical procedures were applied systems approach and analysis problems.

The delivery terms of the Incoterms deal with the relations arising from the contract of purchase, the obligations in customs clearance, packing of goods, whether taking delivery. Despite the fact that Incoterms have always been intended for international trade, sometimes is also used in the framework of the national trade agreements.

The delivery terms of the Incoterms do not have the nature of legal norms, binding happen only if the parties to them in the purchase agreement expressly revoke. Based on the principle of determining the minimum obligations of the parties. Business parties may in the contract of purchase to arrange a wider range of duties, or provide variations or additions to the interpretation of Incoterms. In this case, it is necessary to be cautious, to the nature of the clause did not change to the extent that the court in which the dispute will refuse to accept the interpretation of the clause in connection with the Incoterms.

Since the year 2000 should Incoterms 13 clauses, shared into four categories. From 1.1.2011 applies a new version of the delivery terms Incoterms containing just 11 clauses and 2 categories for the conditions usable for all types of transport and conditions applicable only for sea transport.



Table 1 The applicable clause of the INCOTERMS 2010 and their classification

The clause of INCOTERMS® 2010	
EXW	Ex Works
FCA	Free Carrier
CPT	Carriage Paid To
CIP	Carriage and Insurance Paid To
DAT - new	Delivered At Terminal
DAP - new	Delivered At Place
DDP	Delivered Duty Paid
FAS	Free Alongside Ship
FOB	Free On Board
CFR	Cost and Freight
CIF	Cost, Insurance and Freight

Canceled clauses (were in INCOTERMS 2000 but are not part of the current version)	
DAF	Delivered At Frontier
DES	Delivered Ex Ship
DEQ	Delivered Ex Quay
DDU	Delivered Duty Unpaid

The basis for a proper understanding of Incoterms resolution is the moment of transition of expenses and risks from the seller to the buyer:

- the transition of expenses and risks in the shipment of the goods - the expenditure and risks associated with the transportation shall be borne by the mainly the buyer,
- the transition of expenses and risks in the supply of goods - expenses and risks associated with the transportation shall be borne by primarily the seller.

Group E: *the Goods are carted by the buyer directly from the factory of the seller, the buyer for the goods corresponds to the from the moment.*

Group F: the seller is called upon to delivery of the goods to the carrier designated by the buyer.

Group C: *the seller must ensure the transmission contract, without prejudice to each other, took the risk of loss or damage to the goods.*

Group D: *the Seller must bear all costs and risks associated with the entire route of transportation of goods.*

From the point of view of different modes of transport is possible to the delivery terms of Incoterms 2010 be divided into four groups:

- for any kind of transport including multimodal: EXW, FCA, CPT, CIP, DDP, DAT, DAP,
- for air transport: FCA,
- for rail transport: FCA,
- for maritime and inland transport: FAS, FOB, CFR, CIF.



2. INCOTERMS 2010 SUPPLY CONDITIONS WITH REGARD TO PRIZABLE COSTS UNDER THE CUSTOMS PROCEDURE OF THE SLOVAK REPUBLIC

Transport has a major impact on the growth, development and decrease logistics costs. The objectives of the transport is to overcome distances. More precisely, under the transport refers to the overcoming of space or change of location of transported goods by means of transport. The tasks of the transport from the logistics point of view 1. choice of the most suitable means of transport, 2. choosing the most appropriate transport process. In terms of transport we can define the transport as a sequence of interrelated technical and organizational actions, for which it is transporting people or goods from one source to the destination. To the right is one of the most important elements of logistic systems [2-12].

That are the shipping costs included in the price actually paid or payable price, the customs office considers, if this fact can be determined from the accounting document (e.g. invoice) or commercial document (e.g. purchase contract) or of the delivery conditions according to INCOTERMS 2010 to express the transition of the rights and obligations of the seller to the buyer by entering of imported goods on the customs territory of the Union or of its delivery to a specific location in the customs territory of the Union under any of the delivery conditions group "C" or "D" [1,13,14].

The delivery terms of Incoterms 2010 describe the cost of transport, insurance and handling (loading, unloading, and storage.....) associated with the delivery of the goods from **the seller /A/** to **the buyer /B/** (**Figure 1**).

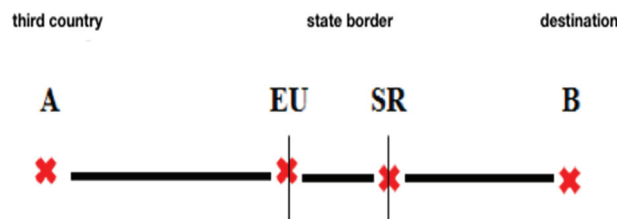


Figure 1 The meaning of the INCOTERMS convention

In determining the customs value of the imported goods under article 70 of the Regulation of the European Parliament and of the Council (EU) no 952/2013 [1] of 9. October 2013 laying down the Union Customs code (hereinafter 'the Customs code'), to the price actually paid or payable price for the imported goods pursuant to article 71 (e) of the Customs code, there shall be added "the following costs incurred in the arrival at the place where the goods enter the customs territory of the Union

1. *the cost of transport and insurance of the imported goods, and*
2. *charges for the loading and handling of goods associated with the transportation of imported goods".*

The basis of the customs value is, therefore, the transaction value price actually paid or price payable in cases where certain specific elements which are considered part of the value for customs purposes, will be charged to the buyer but are not included in the price actually paid or price payable for the imported goods. The transaction value shall also include the performance of the buyer in favor of seller, which have more the nature of the goods or services than the form of money.

Calculable costs "C" - cost from the point of dispatch of the goods in a third country, after the point of entry into the EU territory (Figure 2).

When adding these costs, it is necessary for the customs authorities to take into account the INCOTERMS 2010 delivery condition agreed between the Contracting Parties and adds paragraph 47 of the customs declaration (CD) to the base for calculating duties.

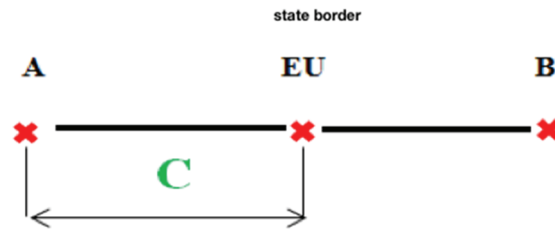


Figure 2 The significance of the INCOTERMS convention and the estimated costs "C"

Another item is the non-deductible costs "D" - the cost from the point of entry of the goods into the territory of the EU, after the first place of destination in domestic (§ 24 (2) of the Act no. 222/2004 Coll. the value-added tax in the Slovak Republic) (**Figure 3**), added to the base for calculation of VAT.

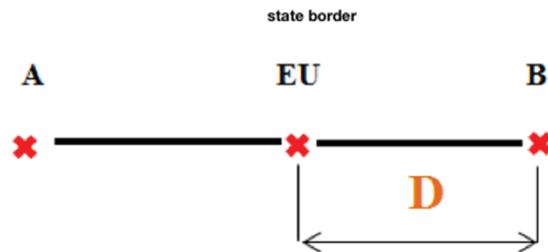


Figure 3 Importance of the INCOTERMS convention and the estimated costs "D"

No less important item is the cost of importing "S" goods - costs from the point of dispatch of the goods in a third country after the point of entry into the territory of the SR (**Figure 4**).

Statistical costs (costs outside the SR) will appear in paragraph 46 of CD as the sum of paragraph 42 CD + S (**Figure 5**).

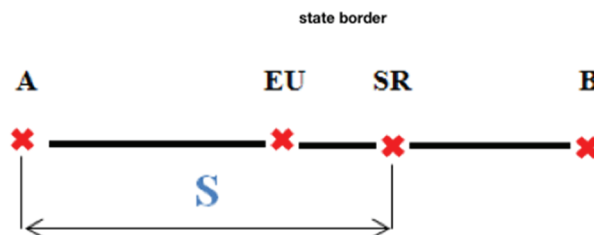


Figure 4 Importance of the INCOTERMS convention and the estimated costs "S"

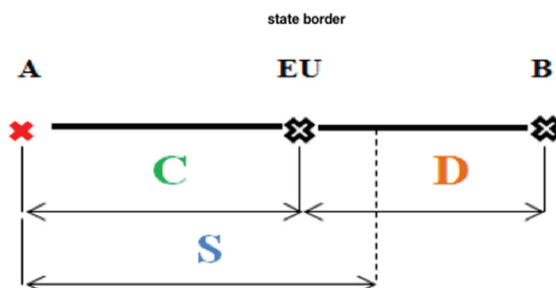


Figure 5 Importance of the INCOTERMS convention and all attributable entries "C" "D" "S"



3. CLASSIFICATION OF THE INCOTERMS CONDITIONS 2010

Group E (Ex Works)

The goods are taken by the buyer directly from the seller's premises, the buyer is responsible for the goods from the moment of taking over.

EXW (EX WORKS) - SURROUNDING PLACE

Group F (Free Carrier, Free Alongside Ship, Free on Board)

The seller is called upon to delivery of the goods to the carrier designated by the buyer. The seller and the buyer shall bear these costs (**Figure 6**):

Seller shall bear all costs relating to the goods until the goods are delivered to the carrier or another person appointed by the buyer. If it comes into consideration, the expenses for the formalities necessary for export as well as all duties, taxes and other charges that are payable upon export.

The buyer bears all costs from the moment when the goods are delivered to the carrier or to another person. Any additional costs: if the buyer has not the carrier, carrier does not accept the goods or the buyer did not announce the seller on behalf of the carrier.

FCA (FREE CARRIER) - SEVERE PLACE

Seller shall bear all costs relating to the goods until the time when the goods supplied to the side of the ship. If it comes into consideration, the expenses for the formalities necessary for export as well as all duties, taxes and other charges to be paid for the export.

The buyer will bear all costs from the moment, the buyer will notifies the seller, the ship determined by the buyer will not arrive in time, is unable to take over or close the loading time of the goods before being notified to the seller.

FAS (FREE ALONGSIDE SHIP) - BE PAID TO THE SIDE OF THE SHIP (AGREED PORT OF SHIPMENT)

Seller shall bear all costs relating to the goods until the time when the goods supplied on board the ship. If it comes into consideration, the expenses for the formalities necessary for export as well as all duties, taxes and other charges to be paid for the export.

The buyer will bear all costs from the moment, the buyer will not understand the seller, the ship determined by the buyer will not arrive in time, is unable to take over or close the loading time of the goods before being notified to the seller.

FOB (FEE ON BOARD) - AGREED PORT OF SHIPMENT

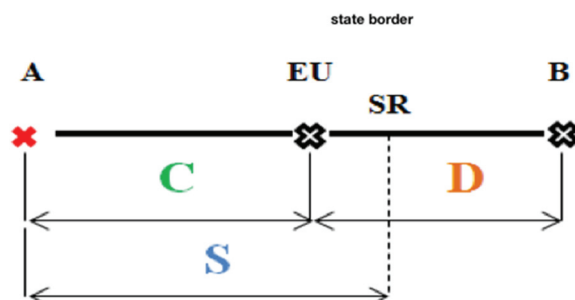


Figure 6 The importance of the convention, INCOTERMS, all non-deductible items for the member states of the EU



Group C (Cost and Freight, Cost, Insurance and Freight, carriage Paid To, Carriage and Insurance Paid To)

The seller must ensure the transmission contract, without prejudice to themselves, took the risk of loss or damage to the goods. The seller and the buyer shall bear these costs (**Figure 7**):

The seller shall bear all costs relating to the goods until the goods have been delivered to the agreed place, the transport and all the costs of loading the goods and the charges for unloading the goods in the agreed port. Where applicable, the costs of the formalities required for export, as well as all customs duties, taxes and other charges payable on exportation.

The buyer bears all costs from the moment it was delivered at the agreed place. Further, all costs, fees relating to the goods as long as it is in transit until it gets to the agreed place of destination, unless such costs do not have to go under the transmission contract to the seller's account.

CFR (COST AND FREIGHT) - ON-BOARD POINTS OF DETERMINATION

Seller shall bear all costs, insurance relating to the goods within the time, until not delivered the goods at the agreed place, the traffic and all the costs of loading the goods and the charges for unloading the goods at destination. If it comes into consideration, the expenses for the formalities necessary for export as well as all duties, taxes and other charges that are payable upon export.

The buyer bears all costs from the moment it was delivered at the agreed place. Further, all costs, fees relating to the goods as long as it is in transit until it gets to the agreed place of destination, unless such costs do not have to go under the transmission contract to the seller's account

CIF (COST, INSURANCE AND FREIGHT) - AGREED PORT OF DESTINATION

Seller shall bear all costs relating to the goods within the time, until not delivered the goods at the agreed place, the traffic and all the costs of loading the goods and the charges for unloading the goods at destination. If it comes into consideration, the expenses for the formalities necessary for export as well as all duties, taxes and other charges that are payable upon export.

The buyer bears all costs from the moment it was delivered at the agreed place. Further, all costs, fees relating to the goods as long as it is in transit until it gets to the agreed place of destination, unless such costs do not have to go under the transmission contract to the seller's account.

CPT (CARRIAGE PAID TO) - AGREED PLACE OF DESTINATION

Seller shall bear all costs, insurance relating to the goods within the time, until not delivered the goods at the agreed place, the traffic and all the costs of loading the goods and the charges for unloading the goods at destination. If it comes into consideration, the expenses for the formalities necessary for export as well as all duties, taxes and other charges to be paid for the export.

The buyer bears all costs from the moment it was delivered at the agreed place. Further, all costs, fees relating to the goods as long as it is in transit until it gets to the agreed place of destination, unless such costs do not have to go under the transmission contract to the seller's account

CIP (CARRIAGE AND INSURANCE PAID TO)

Group D (Delivered at Place, Delivered at Terminal)

The seller has to bear all costs and risks associated with the entire shipping route. The seller and buyer bear these costs (**Figure 7**):

The seller shall bear all costs relating to the goods until the goods have been delivered to the agreed place, if applicable, the costs of the formalities necessary for export, as well as all duties, taxes and other charges payable on exportation.



The buyer bears all costs from the moment it was delivered at the agreed place. Further all costs of unloading necessary to take the goods from the arriving traffic of the next, incurred by the seller if the buyer fails to meet its obligations in obtaining licenses and other permits.

DAP (DELIVERED AT PLACE)

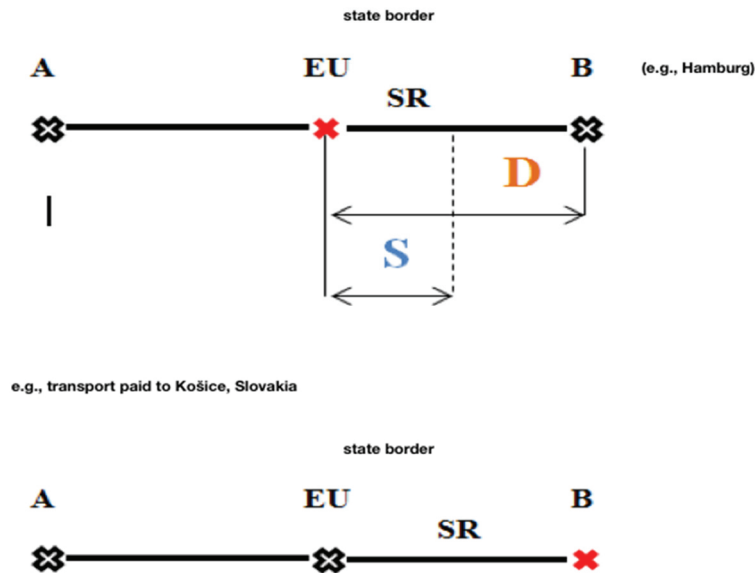


Figure 7 Importance of the INCOTERMS convention, all attributable items to destinations

The seller shall bear all costs, insurance premiums for the goods until the goods have been delivered to the agreed place, the freight and all loading and unloading charges at the place of destination. Where applicable, the costs of the formalities required for export, as well as all customs duties, taxes and other charges payable on exportation.

The buyer bears all costs from the moment they were delivered to the agreed place. Further, all costs, charges related to the goods while in transit until they arrive at the agreed destination, if such costs are not to go according to the transport contract to the seller's account.

DAT (DELIVERED AT TERMINAL)

The seller shall bear all the costs relating to the goods within the time, until not delivered the goods at the agreed place, If applicable, the expenses for the formalities necessary for export as well as all duties, taxes and other fees that are paid at import.

The buyer bears all costs from the moment they were delivered to the agreed place. In addition, all unloading costs needed to receive the goods from incoming transport. the seller, and the buyer fails to fulfill his obligations to obtain licenses and other permits.

DDP (DELIVERED DUTY PAID)

Transport costs in air transport are specified under article 138 of commission regulation (eu) no 2015/2447 laying down detailed rules for the implementation of certain provisions of the regulation of the european parliament and of the council (eu) no 952/2013, laying down the union customs code (hereinafter the "implementing regulation"), is the cost of air transport, including the cost of air express delivery is determined in accordance with annex 23-01 of the implementing regulation.

If the goods are transported from a country or from an airport not listed in the table contained in annex 23-01 of the implementing regulation, the percentage given for the airport located closest to the airport of departure.

4. CONCLUSION

This article shows the view of the importance of the INCOTERMS of the convention in terms of international trade and customs procedures. Research shows the importance of INCOTERMS for world goods flows, security and quality protection of economic and transport space when accepting agreed conditions between the seller and the buyer. The needs of the cost items within the customs and other procedures related to the implementation of the logistics and transport and from the point of view of the physical flow of goods and materials, but also the services associated with a given procedure that are defined directly in terms of the INCOTERMS.

ACKNOWLEDGEMENTS

This article was created by implementation of the grant project VEGA 1/0708/16 “Development of a new research methods for simulation, assessment, evaluation and quantification of advanced methods of production” and as part of KEGA Project 030TUKÉ-4/2017 “Implementation of innovative instruments for increasing the quality of higher education in the 5.2.52 Industrial Engineering field of study”.

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