

NORTH EAST GROWTH HUB & TEES VALLEY BUSINESS



IS GETTING IT WRONG
COSTING YOU MONEY?

- What are Incoterms?
- How should I correctly incorporate the Incoterms?
- What can happen if I choose the wrong Incoterm?

INCOTERMS FOR SALES TEAMS - WEBINAR

QUESTIONS & ANSWERS

INCOTERMS:

Q: My supplier always arranges for the goods to be delivered to my warehouse in the UK. Unfortunately it has been hit and miss as to whether I've been responsible for the duty and VAT or not. I've tried to bring up the Incoterms with my supplier but they have no idea. Are there any questions I can ask in layman terms which can help?

A: If your supplier is delivering the goods to your warehouse, there are three separate Incoterms which refer to 'delivered'. It is important that you decipher your responsibilities as these vary in each Incoterm:

1. Who is going to be responsible for unloading the goods once they arrive at your warehouse?
2. Who is going to be responsible for import formalities? If your supplier is unsure about the import formalities they should at least understand which party is going to be responsible for the import VAT and customs duty.

The answers will determine which incoterm applies, which needs to be included on Customs documentation.

Q: Can you briefly outline the key differences between the four maritime Incoterms?

A: There are two main differences or points which you will need to consider:

1. Are you responsible for getting the goods alongside or on-board the sea/waterway vessel?
2. Are you responsible for the costs associated with arranging the sea/waterway vessel?

Additionally, it is worth noting that of the four maritime Incoterms, only CIF includes the responsibility to insure goods. This is to be done by the seller to cover the buyer's risk.

Q: I have a long standing customer in London and I've always delivered to their premises. They've now opened a branch in Germany and asked if I will supply the new branch. Do I potentially need to re-negotiate my contract with the German branch to incorporate an Incoterm?

A: Yes - you should look to incorporate an Incoterm in your contract for the German sales.

It may be that your main consideration is who will be responsible for the import VAT and duty in Germany. For example, is your client's German branch VAT registered in Germany? If you are going to continue to deliver the goods you will need to consider the shipping charges and find the best shipping option for your goods.



Q: I've got a supplier in Denmark who uses a courier to deliver the goods to me. We keep having issues with the courier and sometimes experience unexpected costs. I'm not sure what Incoterm is used currently, how can I make sure I know what the agreement is between the supplier and courier?

A: Sometimes it can be difficult to ensure that the right information is being passed to the courier especially, when the delivery is being arranged by your supplier.

If you are to be named as the importer of record then you should ensure that you put at least the following information in writing (and provided to your supplier with the request that they provide it to the courier):

- GB EORI number
- Confirmation of how you want to account for the VAT
- Confirmation of how you want to account for duty plus authorisation numbers (if necessary).

As you will be named as the importer of record you will be responsible for the information on the documentation so you should ensure that the commodity code and commercial invoice is all correct.

Q: Where can I find more information on the 10 articles?

A: You can find further information on the 10 articles, and the Incoterms in general on the 'International Chamber of Commerce' website: www.iccwbo.org

If necessary, you can order a copy of the Incoterms book from the ICC website which provides you with detailed information on each Incoterm as well as general information to help you get a full understanding of Incoterms.

Q: Can I make a bespoke Incoterm which fits the relationship between me and my customers?

A: Yes - however, it is vital that you appreciate the importance of ensuring that all parties involved in the trade journey (including: you, your customers and customs intermediary) fully understand what you have agreed to.

Every party needs to understand who is responsible at each stage of the journey. If this isn't made clear then you run the risk of suffering delays and unexpected costs, so we always recommend using one of the published incoterms if possible as these have been tried and tested in law when things go wrong.

Q: Can I use a previous version of the Incoterms?

A: Yes - as long as you make it clear which edition of the Incoterms you are referring to. This is done by including the correct year when you state your agreed Incoterm and place/point. For example:

[the chosen Incoterms rule] [named port, place or point] Incoterms 2020

This information should be made clear and obvious for all parties in your commercial invoice.



FURTHER SUPPORT:

How can I access further support?

Firstly, you can contact your local growth hub whose contact details are available at the bottom of the page.

Your local growth hub will be able to either answer your query or point you towards the support services which are best established to offer you the support you need.

The gov.uk website has hundreds of guidance pages dedicated to helping businesses to understand their international trade requirements.

Finally, for businesses looking to export, they can take advantage of the Department for International Trade's website (link below). The website will help you to unlock market access support from professionals based in the UK and across the globe.

<https://www.great.gov.uk>



Telephone: 0191 561 5468
Website: www.northeastgrowthhub.co.uk

TEES VALLEY | BUSINESS

Telephone: 01642 662 778
Email: EUBusinessSupport@teesvalley-ca.gov.uk

Produced by:

