

# Incoterms (The F Terms)

**With reference to the International Terms of buying and selling, we would like to have a look at the terms of buying and selling for both the importer (buyer) and exporter (seller). This will explain to what extent you will be liable for goods that you've bought or sold. With this you would see where the liabilities ends or start. We will also go into the VAT factor and give some clarification on the matter as well. In this issue, we will look into all the Incoterms starting with F. (FCA, FAS and FOB)**

## **FCA (Free Carrier) (+ the named point of departure)**

Free Carrier (FCA), at a named place, is defined as “the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. The chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If delivery occurs at any other place, the seller is not responsible for unloading”.

### **The Seller's Obligations**

Ten obligations that the seller might need to fulfill in terms of Free Carrier:

- 1) The provision of goods in conformity with the contract;
- 2) Licences, authorisations, and formalities
- 3) Contracts of carriage and insurance
- 4) Delivery
- 5) Transfer of risks
- 6) Division of costs
- 7) Notice to the buyer
- 8) Proof of delivery, transport documents or equivalent electronic message
- 9) Checking, packaging, marking and
- 10) Other obligations.

As for the transfer of risks, the seller bears all risks of the loss or damage to the goods until delivery has taken place at the named place. In relation to the division of costs, the seller must pay all the costs relating to the goods up to the delivery at the named place, and in certain instances, the costs, duties, taxes, and other charges payable on export. The seller must give sufficient notice to the buyer that the goods have been delivered. If the carrier fails to take delivery at agreed time, the seller needs to inform the buyer.

### **The Buyer's Obligations**

Ten obligations that the might need to fulfill:

- 1) The payment of the price
- 2) Licences, authorisations, and formalities
- 3) Contracts of carriage and insurance
- 4) Taking delivery
- 5) Transfer of risks
- 6) Division of costs
- 7) Notice to the seller
- 8) Proof of delivery, transport documents or equivalent electronic message
- 9) Inspection of the goods and
- 10) Other obligations.

## **FAS (Free Alongside Ship) (+ the named port of origin)**

FAS (Free Alongside Ship), at a named place of shipment, is defined as “the seller delivers when the goods are placed alongside the vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss or damage to the goods from that moment.

The three critical points of FAS are:

- 1) The carriage be arrange by the buyer
- 2) The risk transfers from the seller to the buyer when the goods have been placed alongside the ship and
- 3) The cost transfers from the seller to the buyer when the goods have been placed alongside the ship.

## **The Seller's Obligations**

The obligations of the seller is the same as explained under the obligations for the seller in FCA above.

## **The Buyer's Obligations**

The buyer's obligations is the same as explained under the obligations for the buyer in FCA above.

## **FOB (Free on Board)**

FOB (Free on Board) at a named port of shipment is defined as “the seller delivers when the goods pass the ship's rail at the named port of shipment. This means that th buyer has to bear all costs and risks of or damage to the goods from that point. The FOB term requires the seller to clear goods for export”.

The three critical points of FOB are:

- 1) The carriage is arrange by the seller
- 2) The risks transfers from the seller to the buyer when the goods pass the ship's rail, and
- 3) The cost transfer at the port of destination, with the buyer paying costs that are not for the seller's account under the contract of carriage.

## **The Seller's Obligations**

The obligations of the seller is the same as explained under the obligations for the seller in FCA and FAS above.

## **The Buyer's Obligations**

The buyer's obligations is the same as explained under the obligations for the buyer in FCA and FAS above.

## **The “F” Terms and VAT**

As the seller is not in control of the freight and the delivery, FCA, FAS and FOB contract should be Standard Rated and the buyer should claim the VAT from SARS at the point of export.

