

## Guidance Note

# Using the Incoterms<sup>®</sup> 2020 Rules to Manage Tariff Risk in International Trade

## 1. Introduction

Tariff changes are an increasingly common feature of today's global trade environment, driven by shifting policy priorities, trade negotiations, or the expiration of preferential regimes. In this context, the Incoterms<sup>®</sup> 2020 rules—developed and maintained by the International Chamber of Commerce (ICC)—offer a practical tool to manage risk in international commercial contracts.

While the Incoterms<sup>®</sup> rules do **not influence tariff rates** or customs procedures, they **define the allocation of responsibilities between buyers and sellers**, including who bears the costs of customs tariffs. This clarity can help businesses mitigate risks associated with abrupt tariff changes and ensure smoother cross-border transactions.

## 2. Why the Incoterms<sup>®</sup> Rules matter in a volatile tariff environment

Using the appropriate Incoterms<sup>®</sup> rule can help companies:



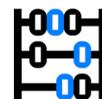
Clearly allocate the **costs and responsibilities** for tariffs;



Ensure proper **pricing and risk management** in cross-border contracts;



Avoid costly **misunderstandings or legal disputes**;



Respond more quickly to **policy shifts or tariff adjustments**.

### 3. Who pays the tariff? A breakdown by Incoterms® rule

#### Incoterms® Rules for any mode of transport:



Incoterms® Rule	Export Customs Clearance	Import Customs Clearance	Who Pays Tariffs?
<b>EXW</b> (Ex Works)	Buyer	Buyer	Buyer
<b>FCA</b> (Free Carrier)	Seller	Buyer	Buyer
<b>CPT</b> (Carriage Paid To)	Seller	Buyer	Buyer
<b>CIP</b> (Carriage and Insurance Paid To)	Seller	Buyer	Buyer
<b>DAP</b> (Delivered at Place)	Seller	Buyer	Buyer
<b>DPU</b> (Delivered at Place Unloaded)	Seller	Buyer	Buyer
<b>DDP</b> (Delivered Duty Paid)	Seller	Seller	<b>Seller</b>

#### Incoterms® Rules for sea and inland waterway transport only:



Incoterms® Rule	Export Customs Clearance	Import Customs Clearance	Who Pays Tariffs?
<b>FAS</b> (Free Alongside Ship)	Seller	Buyer	Buyer
<b>FOB</b> (Free On Board)	Seller	Buyer	Buyer
<b>CFR</b> (Cost and Freight)	Seller	Buyer	Buyer
<b>CIF</b> (Cost, Insurance and Freight)	Seller	Buyer	Buyer

### 4. Key insight: DDP is the only Incoterms® rule where the seller pays tariffs

- **DDP (Delivered Duty Paid)** is unique: the seller is responsible for all duties, taxes and import formalities in the destination country.
- For all other Incoterms® rules, **the buyer bears the import burden**, including compliance with new or changing tariff schedules.

## 5. Practical use of Incoterms® Rules in times of tariff volatility

Companies can use the Incoterms® 2020 rules to:

- **Shift tariff risk** depending on strategic needs (e.g., avoid seller exposure by using DAP instead of DDP);
- Build resilience into supply contracts by clearly defining roles;
- Support **price renegotiation** when tariff rates are revised mid-contract;
- Align logistics, legal and compliance teams with clear operational guidance.

## 6. Conclusion

Incorporating the Incoterms® 2020 rules into contracts is not just about shipping logistics—it's about **clear risk allocation, tariff planning and long-term commercial resilience**.

For further guidance or to access ICC training, please contact [your local ICC representative](#) or visit the [ICC website](#).

### About the International Chamber of Commerce

The International Chamber of Commerce (ICC) is the institutional representative of more than 45 million companies in over 170 countries. ICC's core mission is to make business work for everyone, every day, everywhere. Through a unique mix of advocacy, solutions and standard setting, we promote international trade, responsible business conduct and a global approach to regulation, in addition to providing market-leading dispute resolution services. Our members include many of the world's leading companies, SMEs, business associations and local chambers of commerce.



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