Terminologies in International Business

- I. Harmonized System-Hs Codes
- II. Certificate of Origin
- III. INCOTERMS-2020
- **IV.** Payment Terms

HS code classification

- HS code classification came into effect from 1988.
- Developed and Maintained by WCO (World Customs Organization) at Brussels.
- Under this all existing products are classified.
- Basic Objective to have the contracting parties to have tariff schedules based on HS nomenclature
- They Can set their own Duty
- HS is organized into 21 section and 99 chapters
- Codes are assigned to specific chapter heading & subheading
- Product codes are determined according to form & functions.
- Eg: Fresh Potato-07.01.90(Fresh or Chilled)
 -07.10.10(Frozen Potato)
- First 6 digits are common internationally and next 2 or 4 digits are specific to countries.

Indian System of HS code

- Authority is DGFT
- All addition or deletions are done by DGFT like product description weeding out defunct codes.
- Indian HS has 2 schedules first with 8 digit nomenclature and second with descriptions of goods with tariff duty.
- In first schedules ITC-HS follows international HS code up to 6 digit and next 2 digit address tariff.
- In a nut shell Every 4 digit code is heading
 - 6 digit as subheading and
 - 8 digit as tariff items.

Certificate of Origin

- This document is to declare & certify that the commodity exported is manufactured in India.
- This document is not mandatory universally, but majority countries insist.
- This is to curb fake and substandard Products getting imported to a particular country.

Types of COO

- 1. Non-Preferential Certificate of Origin
- 2. Preferential Certificate of Origin

Non-Preferential Certificate of Origin:

- This is sent as pre shipment/post shipment document as per buyers requirement.
- Ensures exports commodity is originated from India
- COO are issued by promotion councils, chamber of commerce, and VTPC as authorized by DGFT

Preferential Certificate of Origin

- Follows Generalized scheme of preferences (GSP).
- In India this is a pre-shipment document to be sent along with cargo.
- FIEO is authorized to issue for APTA & SAFTA countries (Asian Pacific Trade Agreement with China, Korea and Sri Lanka, SAARC free trade agreement)
- EIA/ DGFT is authorized to issue to all countries.

INCOTERMS 2020

The 11 Incoterms

Incoterms 2020 describe the responsibilities of seller and buyer in international trade.

Group - 1 (Any Mode of Transport)

EXW Ex-Works

FCA Free Carrier

CPT Carriage Paid To

CIP Carriage & Insurance Paid To

DPU Delivered At Place Unloaded

DAP Delivered At Place

DDP Delivered Duty Paid

INCOTERMS 2020

Group - 2 (Sea and Inland Waterway Transport)

FAS Free Alongside Ship

FOB Free On Board

CFR Cost And Freight

CIF Cost, Insurance and Freight

INCOTERMS 2020

Responsibility Matrix for Contract of Sale







FREIGHT COLLET TERMS

FCA

Seller















The Buyer

INCOTERMS 2020

Free Carrier Free Carrier (Port/Airport) (Warehouse)

Free Alongside Ship

FAS

Freight on Board

FOB

Cost & Freight

CFR

Seller

Cost Insurance & Freight

Seller

CIF

Carriage Paid To

CPT

FREIGHT

Delivered Carriage & Insurance at Place Paid Unloaded

PREPAID TERMS

Delivered at Place

Delivered **Duty Paid**

DDP

Mode of Transport

Any Mode

EXW

Ex-Works

Any Mode

FCA

Any Mode Ocean Only Ocean Only Ocean Only Ocean Only

Any Mode

Seller

Any Mode

Any Mode

Seller

DPU

DAP

Seller

Seller

Seller

Seller

Seller

CIP

Any Mode

Seller

Any Mode

Seller

Export Packaging

Obligations and Charges

Export Formalities	Buyer	Seller										
Loading at Point of Origin	Buyer	Seller										
Origin Inland Freight	Buyer	Buyer	Seller									
Origin Port charges	Buyer	Buyer	Seller									
Forwarder Fees	Buyer	Buyer	Seller									
Ocean / Air Freight	Buyer	Buyer	Buyer	Buyer	Seller							
Destination Port Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Import Duties & Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery Charges to Final Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

TERMS OF SALE

Factory ware house



Indian Sea Port



Foreign Port



Final Ware House



Ex-works

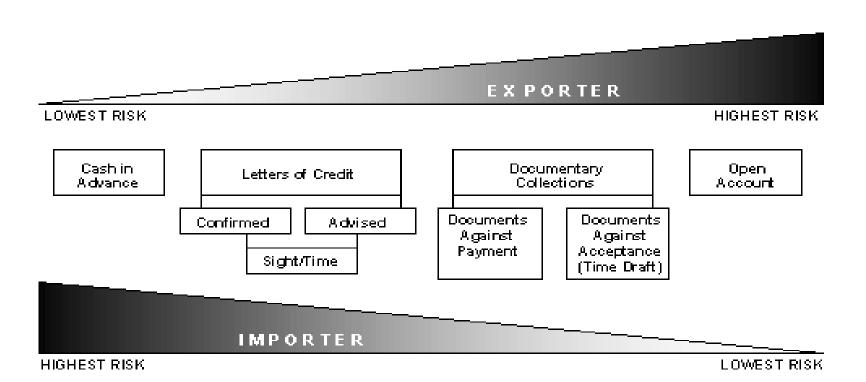
FOB

CFR & CIF

COMMON PAYMENT TERMS

- Advance Payment
- © Documents against payment(DP)/CAD
- $^{\circ}$ Documents against acceptance(DA)
- © Open terms

COMMON PAYMENT TERMS



COMMON PAYMENT TERMS

Letter of Credit

LC at Sight

Usance Bill