

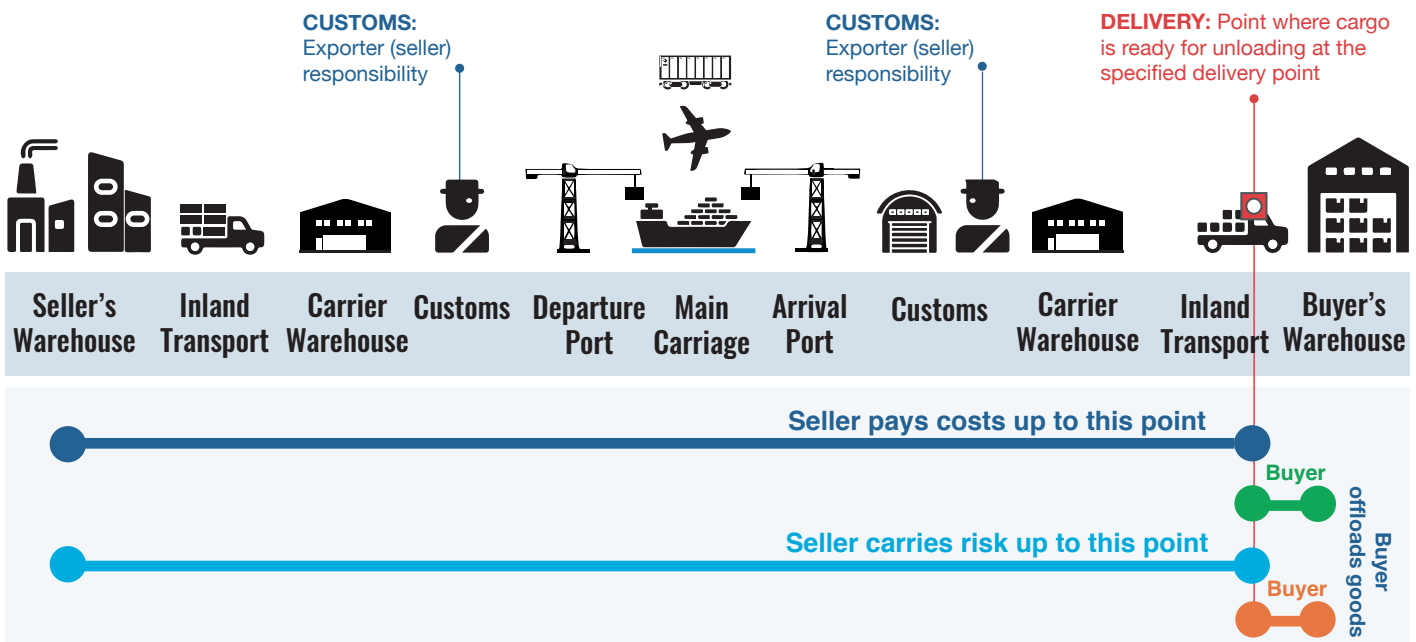
**TRADE FORWARD**  
SOUTHERN AFRICA

# KNOWLEDGE GUIDE SERIES

## Better understanding the INCOTERMS 2020: **DDP**



### Incoterms 2020: Delivery Duty Paid (DDP)



#### DDP: Delivery Duty Paid

**DDP (Delivery Duty Paid)** requires the seller to deliver the goods to the buyer at the agreed delivery point in the destination country (importer's country) and pay for all duties and costs in both the export and import country. The exporter thereby assumes the risks and costs from the point of loading at the seller's premises, to the delivery/destination point in the country of import. DDP is similar to DAP (Delivery at Place) except that DAP does not require the exporter to assume the cost of export and import clearance.

**DDP** places the most onerous conditions and maximum responsibility of all Incoterms on the exporter, and the least amount on the importer, which would likely make this process more costly overall since the seller deals with a greater level of risk and uncertainty in the destination country (which may have unfamiliar import procedures). The buyer is only responsible for unloading the goods at the final destination (delivery) point. The risk for the shipment passes to the buyer when the shipment arrives at the named place.

#### • Seller's obligations: DDP (Destination) 2020

- Commercial invoice, export documentation
- Freight costs: inland transportation, main carriage, transit countries, inland at destination country
- Insurance: no formal obligation, but assumes all risk
- Export clearance and customs expenses at origin
- Import clearance and customs expenses at destination
- All terminal handling charges
- Cost allocation: all costs from exporter's premises to point of delivery at named buyer's premises at destination
- Carry risks until delivery, unless any deviation agreed with buyer

#### • Buyer's obligations: DDP 2020

- Payment of goods as specified in sales contract
- Take delivery once goods are ready for unloading at specified / buyer's premises
- Any costs related to unloading the cargo from the transport upon arrival at buyer's premises
- Any insurance cover or taxes if agreed with seller

#### Considerations for using DDP

**DDP** can be used when the main carriage is by any means (sea, land, air).

With **DDP**, virtually all responsibility, cost and risk lies with the seller, leaving the buyer responsible only for the unloading of the cargo at the specified destination.

For sellers, this is the riskiest Incoterm and perhaps suitable only for very experienced exporters with sufficient resources to manage the process. With **DDP**, sellers may not fully understand the bureaucratic and often complex import clearance procedures and nuances that exist in some countries. It also places the obligation on the seller to source a competent customs broker, and familiarise themselves with customs charges and import duties, while insuring against any risks for the entire journey. This does however absolve the buyer from most risk and inconveniences, albeit with an impact on price.

By ceding all control over the process to the exporter, this does present some risk to importers, since the likelihood of a timely delivery of goods depends on the seller successfully navigating the complexities within the destination country.

#### Key elements of DDP 2020

##### Duties and customs clearance

The seller is responsible for the payment of both the export clearance charges as well as import duties and taxes in destination country.

##### Main carriage (all modes)

Responsibility for costs and risk lies with the seller.

##### Responsibility for insurance

Under DDP, insurance cover is not compulsory, however since the seller remains responsible and liable throughout the cargo's journey, it is common practice for the seller to obtain insurance from when the goods leave the seller's premises, to arrival at the buyer's premises.

##### Loading of cargo

The seller is responsible for the cost of loading the cargo, but the buyer is responsible for the unloading at destination.

##### Delivery and risk transfer

Delivery and risk transfer happens when the cargo is made available for offloading at the buyer's specified premises.