

**DDP | Delivered Duty Paid
(named place of destination)
Incoterms® 2020 [UPDATED]**



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DDP functions much like DAP with one most important exception. It is the seller's obligation to import clear the goods in the buyer's country and pay any duties and VAT/GST. This rule should be used with great care as the seller might need to be a registered entity both for import and VAT/GST in the buyer's country, a fairly unlikely scenario. If the seller finds itself unable to be the importer or to be able to recover any VAT/GST paid then the parties should instead contract on DAP terms.

DDP Seller and Buyer Obligations

DDP A1 / B1: GENERAL OBLIGATIONS

A1 (General Obligations)

In each of the eleven rules the seller must provide the goods and their commercial invoice as required by the contract of sale and any other evidence of conformity such as an analysis certificate or weighbridge document etc that might be relevant and specified in the contract.

Each of the rules also provides that any document can be in paper or electronic form as agreed to in the contract, or if the contract makes no mention of this then as is customary. The rules do not define what "electronic form" is, it can be anything from a pdf file to blockchain or some format yet to be developed in the future.

B1 (General Obligations)

In each of the rules the buyer must pay the price for the goods as stated in the contract of sale.

The rules do not refer to when the payment is to be made (before shipment, immediately after shipment, thirty days after shipment, half now half later, or whatever) or how it is to be paid (prepayment, against an email of copy documents, on presentation of documents to a bank under a letter of credit, or other arrangement). These matters should be specified in the contract.

DDP A2 / B2: DELIVERY

A2 (Delivery)

The DAP and DDP rules require the seller to take on almost the maximum responsibility of placing the goods at the disposal of the buyer at the agreed destination place, or point within that place, but not unloaded from the arriving means of transport. This usually would be a truck but could be a train, a barge or even a ship and unlikely though it might be a chartered aircraft.

The DPU rule goes one step further, requiring the seller to unload the goods from the arriving means of transport. DPU is the old DAT rule but expanded to mean any place to avoid the misunderstanding of the 2010 rule where many took it literally from its title to just mean a terminal, even though it meant anywhere from an open field to a covered warehouse including the buyer's warehouse.

A common mistake with DAP and DDP especially is the reverse of the misunderstanding with the old DAT, to believe that the destination will always be the buyer's premises, but this need not be the case. The buyer could nominate say the site of a new factory they are building for their client, it could be the container terminal in the destination country, or somewhere else. If it is the buyer's premises or a site they have nominated then usually they would have the equipment on hand to unload the goods but sometimes the truck will have a crane mounted on it or even a forklift tucked into the rear of it, or the goods are so specialised that the seller would need to also provide the equipment to unload the goods making it DPU. If the destination is a terminal then it would be usual that the seller's carrier would unload the means of transport or arrange for that unloading, such as the container from the truck delivering it from the quay, the goods from the chartered aircraft and so on, again making it DPU not DAP.

The delivery must be made on the agreed date or within the agreed period.

B2 (Delivery)

The buyer's obligation is to take delivery when the goods have been delivered as described in A2.

DDP A3 / B3: TRANSFER OF RISK

A3 (Transfer of Risk)

In all the rules the seller bears all risks of loss or damage to the goods until they have been delivered in accordance with A2 described above. The exceptio

B3 (Transfer of Risk)

The buyer bears all risks of loss or damage to the goods once the seller has delivered them as described in A2.

If the buyer fails to inform the seller exactly to where it is to deliver the goods, or fails to assist the seller with import formalities, then it bears the risk of loss or damage to the goods from the agreed date or agreed period for delivery.

n is loss or damage in circumstances described in B3 below, which varies dependent on the buyer's role in B2

DDP A4 / B4: CARRIAGE

A4 (Carriage)

The seller must arrange, or contract for, carriage to the named place of destination, and if there is an agreed point within that destination then to that point. Cost of this carriage is for the seller. As the seller has to arrange the carriage it needs to know from the buyer if there is a specific point in the place of delivery to which the goods must be transported. For example, if the destination is shown as simply "Budapest, Hungary" where in that large metropolis is the seller's carrier to leave the goods? It could be that it is to be the buyer's premises, or a particular location say in an empty building site, or the carrier's premises, or the airport, or the container yard, or a particular quay on the river... the exact point should be agreed upon. If it is not then it is the seller's choice to select the point that best suits its purpose, usually being the cheapest option such as a cargo terminal.

For DAP and DPU, if the delivery at the destination is to occur after the buyer completes any necessary import formalities then the cost of storage due to delays in those formalities being completed is for the buyer, always assuming the seller has provided the buyer with necessary documents in time. For DDP it is the seller who bears the cost of any storage due to delays in import clearance.

B4 (Carriage)

The buyer has no obligation to the seller to arrange a contract of carriage.

DDP A5 / B5: INSURANCE

A5 (Insurance)

Despite the seller having the risk of loss or damage to the goods up to the delivery point, the seller does not have an obligation to the buyer to insure the goods.

B5 (Insurance)

Because the seller has the risk of loss or damage to the goods up to the delivery point, the buyer does not have an obligation to the seller to insure the goods.

DDP A6 / B6: DELIVERY / TRANSPORT / DOCUMENT

A6 (Delivery / Transport Document)

The seller, at its own cost, must provide the buyer with any document the buyer needs to take over the goods. What form this document takes will depend on agreement in the contract, and might simply be in the form of a receipt which the buyer is to sign. However, it might, in the case of DAP and DPU where the buyer must import clear the goods, be a copy of the seller's transport document to evidence the export and the date of shipment.

B6 (Delivery / Transport Document)

The buyer must accept the document provided in A6 as it actually takes no part in the transport process.

DDP A7 / B7: EXPORT / IMPORT CLEARANCE

A7 (Export / Import Clearance)

Where applicable, the seller must at its own risk and expense carry out all export clearance formalities required by the country of export, such as licences or permits; security clearance for export; pre-shipment inspection; all import clearance formalities required by the country of import and any other authorisations or approvals.

Additionally, as the point of delivery in these rules is in the importing country, the seller must also carry out and pay for any formalities required by any country of transit and the country of import.

B7 (Export / Import Clearance)

Where applicable, the buyer must assist the seller at the seller's request, risk and cost, in obtaining any documents and/or information needed for all export-related formalities required by the country of export as well as any formalities required by any country of transit and the country of import.

DDP A8 / B8: CHECKING / PACKAGING / MARKING

A8 (Checking / Packaging / Marking)

In all rules the seller must pay the costs of any checking operations which are necessary for delivering the goods, such as checking quality, measuring the goods and/or packaging, weighing, counting the goods and/or packaging.

The seller must also package the goods, at its own cost, unless it is usual for the trade of the goods that they are sold unpackaged, such as in the case of bulk goods. The seller must also take into account the transport of the goods and package them appropriately, unless the parties have agreed in their contract that the goods be packaged and/or marked in a specific manner.

B8 (Checking / Packaging / Marking)

In all rules there is no obligation from the buyer to the seller as regards packaging and marking. There can in practice however be agreed exceptions, such as when the buyer provides the seller with labels, logos, or similar.

DDP A9 / B9: ALLOCATION OF COSTS

A9 / B9 (Allocation of Costs)

The only difference between DAP and DDP is that the seller must pay for all costs until the goods have been delivered up to the time they have been delivered, including all import formalities. This may well include VAT/GST.

DDP A10 / B10: NOTICES

A10 (Notices)

The seller must give the buyer any notice the buyer needs to receive the goods.

B10 (Notices)

If the parties agree in the contract, the buyer must give the seller sufficient notice of when, and the point within the place of destination, where they require delivery. The contract will usually detail how much notice is to be given, and this might vary with the mode/s of transport.

Delivery Duty Paid (DDP): Advantages and Disadvantages

This rule was originally published in Incoterms® 1967 and has continued largely unchanged in its intent.

The seller must deliver the goods as in DAP, but this time all import clearance formalities are at the cost and risk of the seller. This may well work fine with domestic transactions or transactions within a customs union, but for cross-ocean international trade it can be particularly problematic.

As the opposite of EXW where the buyer must be able to carry out the export clearance formalities, with DDP the seller must be able to carry out the import clearance formalities. The importing country's rules might require an importer to be a registered commercial entity in that country, there might need to be an import permit being issued and as the seller is highly unlikely to be a registered or recognised commercial entity in the importing country (not through another related entity that is itself registered there) there are likely to be all sorts of problems. Add to these, if the importing country charges VAT/GST on imports, unless otherwise agreed in the contract and permitted by that tax regime, the seller will pay these taxes and may not be able to recoup them.

Depending on the way the importing country determines their local currency equivalent to calculate the value for duty, if that happens to be the date of export, what document will the seller have as evidence of this by way of an on board notation? Will it be able to produce a bill of lading or sea waybill consigned to itself evidencing this?

Some customs regimes are now considering that the buyer from the DDP seller is liable for any shortfall of duty and any fines, even though they were not involved or named in the import clearance formalities, as it is easier to penalise them than chase a foreign seller.

Again in hindsight, this rule probably does not go far enough. EXW requires the buyer to load the vehicle at the point of delivery, yet DDP does not require the seller to unload at the delivery point. Possibly A2 should also have allowed two variations, one not unloaded, the other unloaded?

The same comments regarding LCs in DAP and DPU apply to DDP.

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Refer to ICC publication no. 723E for the text*

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