

Delivery Duty Paid

What is DDP?

DDP stands for Delivery Duty Paid, an international commerce term (incoterm) used to describe the delivery of goods where the seller takes most responsibility.

Under DDP, the supplier is responsible for paying for all of the costs associated with the delivery of goods right up until they get to the named place of destination. The buyer is then responsible for unloading the goods at the end destination.

DDP can be used to describe ocean, road or air transportation of goods, including multimodal transportation.

It's also expected that the seller clears the goods at export and import customs.

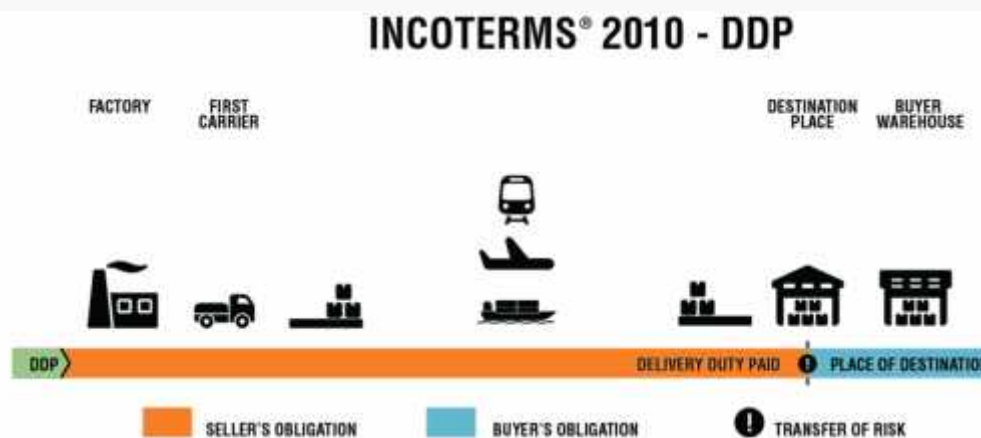


Diagram: DDP – obligations from the seller and buyer, and where the transfer of risk between each party is transferred at the Place of Destination. Source: J Montezuma, Creative Commons BY-SA CC 4.0

Transport Modes:

Rail, Sea, Air, Road

How does DDP work?

DDP requires the supplier to deliver goods from their factory / plant to an agreed point, known as the destination place. This could be the terminal, container yard, factory or warehouse of the buyer. The supplier is responsible for:

- Clearing goods through export and import customs
- VAT
- Paying for duties and other taxes

Insurance on the goods is not required the buyer or the seller.

DDP is most risky for the seller of goods, so is normally used by advanced suppliers. DDP is used particularly when the cost of supply doesn't vary too much and is easy to predict.

DDP



DESTINATION

Diagram: DDP involves the seller delivering goods up to a named destination place, with all expenses and risk are offloaded. Source: J Montezuma, Creative Commons BY-SA CC 4.0

Buyer and Seller Obligations of DDP

THE SELLER'S OBLIGATIONS	THE BUYER'S OBLIGATIONS
<p>1. Providing the goods to the buyer The supplier is responsible for delivering the goods and providing an invoice to prove delivery.</p>	<p>1. Payment The buyer must pay for the price of the goods as quoted in the contract of sale with the supplier</p>
<p>2. Licenses and documentation The supplier needs to have documentation in order to get export licenses so that they can move goods to the final destination</p>	<p>2. Licenses, authorizations and formalities The buyer must get any export license and import permit for the export of goods (at the country of origin and destination country)</p>
<p>3. Transport and insurance The supplier is responsible for the transport but there's no obligation to provide insurance</p>	<p>3. Shipping and Insurance Contract of carriage – no obligation, this is the seller's responsibility to cover costs and risk</p> <p>Contract of insurance – no obligation from either party, although recommended</p>
<p>4. Delivery The supplier should deliver the goods to the place agreed by the buyer; it's always</p>	<p>4. Taking delivery</p>

<p>advisable to make sure to be specific about the destination place.</p>	<p>The buyer must take the goods which are delivered at the agreed destination point and time</p>
<p>5. Transfer of risks Risk is transferred from the seller to the buyer once the goods are available to the buyer at the end destination port or terminal as agreed</p>	<p>5. Transfer of risks The risk is transferred from the seller to the buyer once they have been offloaded at the agreed place of delivery – this means they must then bear all risks of loss or damage of their goods</p>
<p>6. Costs The seller must pay for:</p> <ul style="list-style-type: none"> ▪ the cost of delivering the goods ▪ loading costs and transport of goods until the port of destination ▪ insurance from the point of origin and also for the main transport journey ▪ export duties and taxes ▪ customs formalities ▪ import duties and taxes ▪ customs formalities at the destination country 	<p>6. Costs The buyer pays for all unloading costs</p>
<p>7. Notice to the buyer The seller must notify the buyer that the goods have been delivered at the place of destination</p>	<p>7. Notice to the seller The buyer must provide a clear time of shipment and the port of destination</p>
<p>8. Proof of delivery The seller must obtain proof of delivery at their own expense, which is a document that allows the buyer to pick up the goods</p>	<p>8. Proof of delivery Must accept the seller's delivery document</p>
<p>9. Checking The seller must cover the cost of checking the goods for quality control, as well as measuring, weighing, counting, packing</p>	<p>9. Inspection</p>

<p>of the goods and marking them as required.</p> <p>If a special package (e.g. fragile goods) is being shipped, the seller must inform the buyer and have them agree any extra expenses</p>	<p>Unless it's a mandatory at origin, the buyer needs to pay any pre-shipment inspection</p>
<p>10. Other The seller must help in obtaining additional information required by the seller</p>	<p>10. Other Assist obtaining additional information required by the seller</p>

Benefits of DDP

The key advantages of Delivery Duty Paid are in favor of the buyer. The seller takes most responsibility and risk:

DDP puts the maximum risk and responsibility on the seller. It is the only one of the Incoterms that requires the seller to take responsibility for import clearance and payment.

The seller bears all the costs and risks involved in bringing the goods to the place of destination.

The seller is obliged to clear the goods for both export and import, to pay duties for both export and import, and to execute all customs formalities.

Sellers may not understand the complex and bureaucratic import clearance procedures that exist in some countries and make mistakes or miscalculations that affect their bottom line; therefore, it may be best left to the buyer who has local knowledge and understanding. Keep this in mind before choosing DDP.

1. The supplier takes on the most risk and responsibility as opposed to the buyer. DDP is one of the only incoterms that requires the supplier to also take responsibility for import clearance and paying for various import taxes
2. The supplier takes on all of the cost for transporting and getting the goods to the end destination
3. The supplier needs to clear goods through customs at both the country of origin and place of destination, as well as clearing all customs formalities, duties and taxes