

Commercial Invoice

Not to be titled as proforma invoice or provisional invoice

To be issued by the beneficiary, need not be signed or dated unless required by the credit. If the name of the beneficiary changes after the issuance of the credit, the new name may be indicated along with the previous name as "formerly known as" without requiring an amendment to the letter of credit

To be made out in the name of the applicant

Indicate the value of the goods or services or performance provided in the currency unit of the credit indicating the unit price if any.

Must indicate any discount or deduction required by the credit. Invoice may also indicate advance payment, discount etc., that is not stated in the credit.

Must not show charges not covered by the credit. However, invoice may indicate breakup of costs within trade term, i.e invoice may show breakup of costs for CFR including FOB and Freight

Goods description:

The description of goods must correspond with the description stated in the credit.

There is no need to show entire description of goods stated in LC under goods description field of invoice, it may be shown in different parts of invoice. But must cover all the details as per the LC (No mirror image is required).

Additional goods description (more detailed description than indicated in the LC) is permitted as long as it is not conflicting with description stated in the LC by different nature, classification or category of goods. As an example: When LC shows "XEROX MACHINE" under goods description, invoice must not show goods description as "SECOND HAND XEROX MACHINE". Secondhand Xerox machine comes under different classification so it is not allowed due to data conflict.

When trade term under goods description indicates without source of trade term, invoice may indicate source of that trade term as additional data, as an example when trade term under goods description is stated in the credit as "CIF Singapore", invoice may indicate trade term as "CIF Singapore Incoterms 2020)

Should not show the goods not covered by the credit even for free of cost ex:
Advertisement samples/material, empty bags etc.

Quantity shipped must be within the quantity permitted by the LC. Over shipment is not allowed.

Allowed tolerance for the quantity:

Goods description as per LC	Allowed range	Reference
100 Mts (+/- 5%) of Rice	95 Mts to 105 Mts	As per LC
100 Mts (Min/Max) of Rice	100 Mts exactly	As per LC
100 Mts (+/- 0%) of Rice	100 Mts exactly	As per LC
About 100 Mts of Rice	90 Mts to 110 Mts	As per Article 30a
Approximately 100 Mts of Rice	90 Mts to 110 Mts	As per Article 30a
100 Mts of Rice	95 Mts to 105 Mts	As per Article 30b
100 bags of Rice	100 bags exactly	As per Article 30b
100 Cars	100 Cars exactly	As per Article 30b

Allowed tolerance for the unit price:

Unit price as per LC	Allowed range	Reference
USD 1000 per Car	USD 1000 exactly	As per LC
About USD 1000 per Car	USD 900 to USD 1100	As per Article 30a
Approximately USD 1000 per Car	USD 900 to USD 1100	As per Article 30a

Allowed tolerance for the amount:

Amount as per LC	Allowed range	Reference
USD 100,000 (5/5)	USD 95,000 to USD 105,000	As per LC
USD 100,000 (Min/Max)	USD 100,000 exactly	As per LC
USD 100,000 (0/0)	USD 100,000 exactly	As per LC
USD 100,000 (0/10)	USD 90,000 to USD 100,000	As per LC
About USD 100,000	USD 90,000 to USD 110,000	As per Article 30a
Approximately USD 100,000	USD 90,000 to USD 110,000	As per Article 30a
USD 100,000	USD 95,000 to USD 100,000	As per Article 30c

Article 30 of UCP 600:

Sub article (a):

Allows 10% more or 10% less for the Amount, Quantity or Price if the words “about” or “approximately” are used in connection with the amount, quantity or price

(Only above two phrases are used in this sub article i.e “about” or “approximately”. It did not state “words such as” or similar while indicating expressions)

Sub article (b):

Allows 5% more or 5% less for the quantity of the goods, provided the credit does not state the quantity in terms of a stipulated number of packing units or individual items. However, this tolerance does not allow drawing more than the value permitted by the credit.

(This 5% tolerance does not apply when quantity stated in specific numbers of packing units, such as 100 bags, or individual items, such as 100 cars, when partial shipments are prohibited, beneficiary must ship the full quantity in a single lot.

If the quantity is expressed in a unit of measurement such as Kgs or Mts, it may be difficult for the beneficiary to ship the exact quantity of the goods. In this situation, sub article 30b allows 5% more or less for the quantity. If the quantity stated in the LC is 100 MT, the beneficiary may ship a quantity between 95 MT and 105 MT. However, the beneficiary can demand payment only up to the maximum amount permitted by the credit.

Example: If the quantity as per the LC is 100 MT and the credit amount is USD 10,000, then the beneficiary can present an invoice for USD 10,000 when they have shipped 105 MT and also can present an invoice for USD 9,500 when they have shipped 95 MT.

The words “the total amount of the drawings does not exceed the amount of the credit” under Sub-Article 30(b) signify that when the quantity shipped is 5% more, the amount is not increased; however, when the quantity shipped is 5% less, drawing up to 5% less for the amount is allowed.

Sub article (c):

Allows drawing up to 5% less than the amount permitted by the credit even when partial shipments are not allowed, provided that:

- No specific tolerance for the amount is provided in the LC.
- The words “about” or “approximately” are not used for the amount in the LC.
- The full quantity of goods, if stated, must be shipped.
- The unit price, if stated in the credit, is not reduced.
- Sub-Article 30(b) is not applicable.

(When partial shipments are not allowed, the beneficiary is expected to effect full shipment in a single lot and bill for the full value of the credit. However, this sub-article allows the beneficiary to draw up to 5% less than the credit amount even when the full quantity is shipped)

Example: If the quantity as per the LC is 100 cars and the credit amount is USD 100,000, then the beneficiary can present an invoice for USD 95,000 against the shipment of 100 cars.

This negative tolerance of 5% is allowed to adjust a situation where the LC is established with freight or insurance charges based on estimated amounts, and the beneficiary is required to bill these costs on an actual basis. (Refer: R367-ICC opinion)

The intent here is that when the LC prohibits partial shipments, the beneficiary must ship the full quantity in a single lot and bill accordingly. For easier understanding, if no quantity is provided in the LC and partial drawings are not allowed, drawing up to 95% of the LC amount is considered a full drawing.

As per paragraph C7 of ISBP, “An invoice may indicate a deduction covering advance payment, discount, etc., that is not stated in the credit.” (In this case, this deduction is not subject to the 5% less amount under Sub-Article 30(c) of UCP 600. Sub-Article 30(c) applies to the gross value of the goods, not to the net invoice amount after deductions.

Special Note: Nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank may accept a commercial invoice issued for an amount in excess of the amount permitted by the credit, and its decision will be binding upon all parties, provided the bank in question has not honoured or negotiated for an amount in excess of that permitted by the credit (Article 18(b) of UCP 600).

Example: An LC covers the shipment of 100 MTs of rice without providing specific tolerance for both quantity and amount. In this case, as per sub-article 30(b) of UCP 600, the beneficiary may ship 105 MTs of rice, and the invoice may be made for the equivalent amount. In this case, the banks in question may accept a commercial invoice for more than the amount permitted by the credit but may honour or negotiate up to the amount permitted by the credit.