

# CUSTOMS ALERT

CBIC prescribes Two-Year Timeline for  
Finalization of Provisional Assessment

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# CBIC prescribes Two-Year Timeline for Finalization of Provisional Assessment

Pursuant to proposal made in the Union Budget 2025, Section 18 of the Customs Act, 1962 was amended providing a definitive two-year time frame for the finalization of provisional assessments. CBIC has issued Notification No. 55/2025-Customs (N.T.) dated Sept. 12, 2025, introducing Customs (Finalisation of Provisional Assessment) Regulations, 2025.

The regulations prescribe guidelines for finalisation of provisional assessment which may be extended by one year by the Commissioner on sufficient cause. The two-year time period for cases pending as on March 29, 2025, shall commence from the said date.

## Applicability of the Regulations

- These regulations shall apply to any provisional assessment - (a) pending as on the date of enforcement of these regulations or (b) assessed provisionally after the enforcement of these regulations.
- Each bill of entry or shipping bill assessed provisionally shall be treated as a separate case of provisional assessment.

## Time limit and manner of submitting documents

- Where duty is assessed provisionally for want of proper documents or information, proper officer shall within fifteen days require importer / exporter to furnish specific documents / information as required.

- Importer / Exporter shall provide the required document or information to the proper officer within two months (extendable by further period of two months). An additional fourteen months' period may be allowed by senior officer.
- In case of non-submission of documents / information in time, proper officer shall finalise provisional assessment on the basis of available data.

## Suo-moto payment of duty

- Duty may be paid voluntarily during pendency of the provisional assessment. Such payment shall be adjusted against duty finally assessed or re-assessed later.
- Such voluntary payment shall also attract applicable interest liability.

## Time limit for finalisation of provisional assessment

- Duty provisionally assessed shall be finalised within 3 months of (a) receipt of documents or (b) expiry of time for submission of documents or (c) conclusion of enquiry (unless extended)
- Assessment to be finalised within two years from provisional assessment date under Section 18(1). Assessments pending on March 29, 2025 shall be finalised within two years from the said date.

- Commissioner may on sufficient case extend the period for finalisation of provisional assessment by an additional one year.
- Where proper officer is unable to assess duty finally due to following reasons, time period will start from date when such reasons cease to exist:
  - (i) information sought from foreign authority through a legal process;
  - (ii) appeal pending in similar matter;
  - (iii) interim stay order issued by Appellate Tribunal or High Court or Supreme Court;
  - (iv) Board directive or order to keep such matter pending;
  - (v) Pending application before the Settlement Commission.
- Refund, if any due shall be processed to the exporter or importer in terms of Section 18(4) and (5) of the Act.
- Importer / Exporter or Customs Broker who contravenes or fails to comply with these regulations shall be liable to penalty.

**Manner of finalisation and closure of provisional assessment**

- A speaking order to be passed by the proper officer where the final assessment is contrary to provisional assessment.
- Where final assessment confirms provisional assessment, proper officer to finalise the same after acceptance from importer / exporter and inform them in writing.
- Deficiency of the amount finally assessed or re-assessed to be paid (along with interest) by importer / exporter after adjustment of the amount already paid.
- Bond executed at the time of provisional assessment shall be cancelled or recredited and security shall be returned where no dues are pending.
- In case of non-payment of duty, interest, fine, penalty within ninety days of finalisation of assessment, sum due shall be adjusted from security or recovered as sum due under section 142 of the Customs Act, 1962 (Act) (Recovery of sums due to Government).

## **DHRUVA INSIGHT**

The timely finalisation of provisional assessment has been long standing issue especially cases of related-party transactions. In the Union Budget 2025, Finance Minister proposed an amendment to Section 18 of the Customs Act, 1962, introducing a definitive time frame for the finalization of provisional assessments.

The necessity of adhering to reasonable timelines have been reiterated time and again in various judicial precedents<sup>1</sup>.

These guidelines specifying a definitive time frame of two years for finalisation of assessment will speed up assessments and thereby facilitate ease of doing business.

<sup>1</sup>In Bihar Foundry & Castings Ltd. (TS-81-HC-2024(JHAR)-CUST), demand raised after lapse of 6-9 years from date of provisional assessment was held as void-ab-initio. The Supreme Court (TS-303-SC-2025-NT) has dismissed SLP filed against said decision

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