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CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS

Provisional assessment in customs: bank guarantees and their return

Provisional assessment in customs lets your goods clear under section 18 of the Customs Act, 1962 while the final duty is still open. You sign a bond and give a bank guarantee or cash deposit for any shortfall. Customs must finalize within two years, extendable by one, and then returns the security if no dues are pending.

PROVISIONAL assessment is a temporary assessment of duty under section 18 of the Customs Act, 1962, so goods can clear while the final duty is still open. It applies when you can't self-assess, the goods need a test, or the officer needs more inquiry. You give security for any shortfall, and customs finalizes the duty later.

KEY FACTS

LAW
Customs Act, 1962

TARIFF
Customs Tariff Act, 1975

VALUATION
Customs Valuation Rules, 2007

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What is provisional assessment in customs?

Provisional assessment is a temporary assessment of duty under section 18 of the Customs Act, 1962, so goods can clear while the final duty is still open. It applies when you can't self-assess, the goods need a test, or the officer needs more inquiry. You give security for any shortfall, and customs finalizes the duty later.

Section 18(1) sets the cases. You ask for it because you can't self-assess, or the officer wants a chemical or other test or wants to inquire further (section 18 of the Customs Act).

Guidelines from the Central Board of Indirect Taxes and Customs (CBIC) keep it for cases where the duty itself is in dispute. A bond required as a condition of an exemption notification, or to meet another law, is not a provisional assessment (Circular No. 38/2016-Customs, paragraph 3.2).

During an anti-circumvention investigation, a notification can also put imports under provisional assessment, and customs takes a guarantee for any duty that may follow. See anti-dumping reviews and circumvention.

Provisional assessment is one part of our guide to customs in India.

How much security does customs take on a provisional assessment?

Customs sets the security on the duty difference, not on the CIF value of the goods, under Circular No. 38/2016-Customs. You give it as a bank guarantee or a cash deposit, whichever suits you, and no surety is taken. Where the officer has estimated the difference, the security is 100% of it.

Trade agreement cases follow CAROTAR, the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020. The table shows the security for each case.

Security on a provisional assessment, by case

Case	Security	Source
The officer orders a test, information or inquiry and has estimated the duty difference	100% of the duty difference; the Principal Commissioner or Commissioner may reduce it for good reasons	Circular No. 38/2016-Customs, entry 6(b)(1)
The same, but the duty difference can't be worked out	No security (0%), the bond only	Circular No. 38/2016-Customs, entry 6(b)(2)
You ask for provisional assessment because you can't self-assess	No set figure; the officer decides	Circular No. 38/2016-Customs, entry 6(a)
A trade agreement claim, with an inquiry under CAROTAR rule 5 or a verification under rule 6(1)(a) or (b)	100% of the duty difference, Authorized Economic Operators (AEOs) included	Circular No. 42/2020-Customs, paragraph 3
A trade agreement claim picked for a random origin check	No security (0%)	Circular No. 38/2016-Customs, entry 5(b)
An AEO at tier T1 or T2, outside the origin cases	Half (T1) or a quarter (T2) of the security in the first row	Circular No. 38/2016-Customs, entry 2(b)
An AEO at tier T3, outside the origin cases	No security (0%)	Circular No. 38/2016-Customs, entry 1
A public sector undertaking or a government	No security (0%)	Circular No. 38/2016-Customs, entry 3

The table is Circular No. 38/2016-Customs as amended by Circular No. 42/2020-Customs. The old 20% deposit of the duty difference went in 2016 (paragraph 2.5). Valuation cases at the Special Valuation Branch follow their own circular: see customs valuation.

What security does customs take when it checks a trade agreement origin claim?

Section 28DA(5) of the Customs Act lets customs release goods whose trade agreement rate is suspended against security equal to the difference between the provisional duty and the preferential duty claimed. The Principal Commissioner or Commissioner may ask for a deposit of that difference in your electronic cash ledger instead. AEO status doesn't lower it.

The rate can be suspended under section 28DA(4) when you don't give the origin information asked for, and under CAROTAR rule 6(4) when a verification starts during clearance (section 28DA; CAROTAR rule 6). On your request, the officer can then assess provisionally and clear the goods against that security.

Section 28DA and CAROTAR prevail over the AEO guarantee cuts, so an AEO gives the full amount (Circular No. 02/2022-Customs, paragraph 2). What AEO status gives elsewhere is in our deferred payment and AEO guide.

The exporting country gets the agreement's own reply time, or sixty days where it sets none. If the reply comes in time, the officer is to finish within forty-five days, unless the Principal Commissioner or Commissioner allows longer (rule 6(3) and (6)). Those are the rule's norms, not a promise.

How the claim itself works is in our CAROTAR guide.

What bond do you sign for a provisional assessment?

The bond for a provisional assessment binds you to pay any difference between the final and the provisional duty, under Circular No. 38/2016-Customs. Since February 17, 2025, you can give one all-India electronic bond for all your obligations, provisional assessments included, and link an electronic bank guarantee to it, under Circular No. 04/2025-Customs.

The electronic bond replaces a separate bond for each transaction at each port. It covers provisional assessment in CAROTAR cases and for chemical tests, among other obligations (Circular No. 04/2025-Customs, paragraph 4.1 and Annexure A).

Keep the guarantee alive. Under the electronic bond, while its obligations are open, you renew a bank guarantee at least 15 days before it expires, or customs encashes it (Annexure C, condition IV).

How long can customs take to finalize a provisional assessment?

Customs must finalize a provisional assessment within two years, under section 18(1B) of the Customs Act as amended by the Finance Act, 2025. The Principal Commissioner or Commissioner can extend that by one year for sufficient cause. For assessments already pending on March 29, 2025, the two years run from that date.

Time limits under section 18 and the 2025 regulations

Step	Limit	Source
The officer tells you which documents are needed	Within fifteen days of the provisional assessment	Regulation 4(1)
You give the documents	Within two months of the request, plus up to two more and any time a senior officer allows; never past fourteen months from the provisional assessment	Regulation 4(2)
Customs completes an inquiry and reports to the officer	Within fourteen months of the provisional assessment	Regulation 5(1)
The officer finalizes	Within three months of the documents or the inquiry's end, where possible, with two-month extensions inside the two years	Regulation 8(1)
Every provisional assessment	Two years from the provisional assessment, plus up to one year on extension	Section 18(1B)

For set reasons, such as information sought from abroad, a similar appeal pending before a court or the Appellate Tribunal, or a stay order, the two years run again from the day the reason ends. The officer must tell you the reason (section 18(1C)).

These are the law's limits on customs, not a forecast for any one case. Each provisionally assessed bill of entry is a separate case (Notification No. 55/2025-Customs (N.T.), regulation 3).

What happens when customs finalizes a provisional assessment?

Customs finalizes a provisional assessment by order under regulation 9 of the 2025 regulations. If the final duty differs, the officer passes a speaking order after hearing you. If it confirms the provisional duty, the officer records your acceptance and tells you the date in writing. You then pay any shortfall or get a refund.

A shortfall carries interest from the first day of the month the duty was provisionally assessed, at 15% a year, the section 28AA rate (section 18(3); Notification No. 33/2016-Customs (N.T.)). The bill of entry may come back to you for payment (regulation 9(4)).

You can pay the duty you work out yourself at any time while the assessment is provisional, with interest to the date you pay. It's adjusted against the final duty (regulation 7; Circular No. 22/2025-Customs, paragraph 4(f)).

A final order of an officer below Commissioner rank can go to the Commissioner (Appeals) within sixty days. Thirty more days are allowed for sufficient cause (section 128). How appeals and the pre-deposit work is in customs show cause notices, penalties and appeals.

How do you get your bank guarantee back after a provisional assessment?

Your bank guarantee or cash deposit comes back after finalization, under regulation 10(1) of the 2025 regulations, if no dues are pending. The bond is canceled or re-credited when the final assessment confirms the provisional one, when you've paid the duty and interest in full, or, for warehoused goods, when you give a bond for the excess duty.

1. Give the documents asked for.

Give them within the time the officer sets: two months, extendable, never past fourteen months from the provisional assessment (regulation 4(2)).

2. Tell the officer in writing.

Once everything is in, say so in writing. If documents don't arrive in time, the officer finalizes on the record as it stands (regulation 4(3)).

3. Settle the final assessment.

Pay any shortfall with interest, or accept a final assessment that confirms the provisional one (regulations 9 and 10(1)).

4. Get the bond closed and the security back.

With no dues pending, the bond is canceled or re-credited and the security returned (regulation 10(1)). Under the electronic bond, keep the guarantee renewed until then.

A sum due after finalization that stays unpaid for more than ninety days, once final, is taken from the security or recovered under section 142 of the Customs Act (regulation 10(2)).

Do you get interest when customs refunds duty after a final assessment?

Section 18(4) of the Customs Act pays interest on a refund that customs hasn't paid within three months of the final assessment. The rate is the section 27A rate, 6% a year under Notification No. 75/2003-Customs (N.T.), until the refund is paid. You get the refund only if you didn't pass the duty on to anyone else.

The 6% rate is fixed by Notification No. 75/2003-Customs (N.T.). If you did pass the duty on, the refund and interest go to the Consumer Welfare Fund instead (section 18(5)). The one-year limit for a section 27 refund runs from the date duty is adjusted on final assessment (section 27(1B)(c)). More on both is in customs duty refunds and drawback.

The texts read for this guide don't say whether a cash security returned under regulation 10(1) earns interest.

What can you do when a provisional assessment stays open for months?

A provisional assessment that stays open still runs on set limits. Once you've given every document, tell the officer in writing: the officer then has three months to finalize where possible. After seventeen months, CBIC's officers report the case to the Commissioner, who monitors it personally and decides on any extension.

The seventeen-month report is in Circular No. 22/2025-Customs, paragraph 5.2. For assessments pending on March 29, 2025, the same circular asked officers to collect the documents or finish the inquiries by May 29, 2026 (paragraph 4(c)).

If the officer can't finalize in time for a set reason, the officer must tell you the reason (section 18(1C)). Neither section 18 nor the 2025 regulations say what follows if the time runs out with no final assessment.

How IndusDesk helps with a provisional assessment

We work with your team on the documents customs asks for and keep track of the limits in section 18 and the 2025 regulations. We draft your letters to the officer and the Commissioner, and follow up on the return of your bond and bank guarantee after finalization.

Government affairs →

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Talk to our desk about a provisional assessment Message us on WhatsApp

Frequently asked questions

Is there still a 20% deposit on a customs provisional assessment?

No. Circular No. 38/2016-Customs dropped the 20% deposit of the duty difference in 2016 (paragraph 2.5). The security is now a bank guarantee or cash deposit, set by the circular's table.

Is provisional assessment security based on the CIF value of the goods?

No. Circular No. 38/2016-Customs, paragraph 3.1, says the security is worked out on the duty difference, not on the CIF value of the goods.

Can a surety replace a bank guarantee on a provisional assessment?

No. Circular No. 38/2016-Customs says no sureties are taken. The security is a bank guarantee or a cash deposit, whichever suits the importer (paragraphs 2.6 and 2.9).

Is each bill of entry a separate provisional assessment?

Yes. Regulation 3 of the 2025 regulations treats each provisionally assessed bill of entry as a separate case.

Sources

- Customs Act, 1962, section 18: provisional assessment of duty, sub-sections (1), (1B), (1C), (2) to (5) (CBIC's consolidated text, read November 8, 2026)
- Customs Act, 1962, section 28DA: procedure regarding claim of preferential rate of duty, sub-sections (4) and (5) (CBIC's consolidated text, read November 8, 2026)
- Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020, rule 6: verification request, sub-rules (3), (4) and (6) (CBIC's consolidated text, read November 8, 2026)

- Notification No. 55/2025-Customs (N.T.), September 12, 2025: Customs (Finalisation of Provisional Assessment) Regulations, 2025, regulations 3, 4, 5, 7, 8, 9 and 10
- Circular No. 22/2025-Customs, September 12, 2025: implementation of the provisional assessment regulations, paragraphs 4(c), 4(f) and 5.2
- Circular No. 38/2016-Customs, August 22, 2016: guidelines on provisional assessment under section 18, as amended by Circular No. 42/2020-Customs, paragraphs 2.5 to 2.9, 3, 3.1 and 3.2
- Circular No. 42/2020-Customs, September 29, 2020: amending Circular No. 38/2016-Customs to align it with CAROTAR, paragraphs 2 and 3
- Circular No. 02/2022-Customs, January 19, 2022: aligning the AEO circulars with CAROTAR, paragraph 2
- Circular No. 04/2025-Customs, February 17, 2025: single all-India electronic bond (Ekal Anubandh), paragraph 4.1, Annexure A and Annexure C, condition IV
- Notification No. 33/2016-Customs (N.T.), March 1, 2016: rate of interest under section 28AA
- Notification No. 75/2003-Customs (N.T.), September 12, 2003: rate of interest under section 27A
- Customs Act, 1962, section 27: claim for refund of duty, sub-section (1B)(c) (CBIC's consolidated text, read November 8, 2026)
- Customs Act, 1962, section 128: appeals to Commissioner (Appeals), sub-section (1) and its proviso (CBIC's consolidated text, read November 8, 2026)
- Customs Act, 1962, section 142: recovery of sums due to Government (CBIC's consolidated text, read November 8, 2026)

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