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CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS

Customs show cause notices, penalties and appeals in India

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A CUSTOMS SHOW cause notice is a written notice under section 28 of the Customs Act, 1962 asking why you shouldn't pay duty or interest that customs says was unpaid, short-paid or wrongly refunded. The officer must serve it within two years of the relevant date, or five where collusion, wilful misstatement or suppression is alleged.

KEY FACTS

LAW
Customs Act, 1962

TARIFF
Customs Tariff Act, 1975

VALUATION
Customs Valuation Rules, 2007

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What is a customs show cause notice?

A customs show cause notice is a written notice under section 28 of the Customs Act, 1962 asking why you shouldn't pay duty or interest that customs says was unpaid, short-paid or wrongly refunded. The officer must serve it within two years of the relevant date, or five where collusion, wilful misstatement or suppression is alleged.

For unpaid or short-paid duty, the relevant date is the date the officer ordered the goods cleared, and for a wrong refund, the date of the refund (section 28, Explanation 1(a) and (c)). A provisional assessment or a revised entry under section 18A has its own date (Explanation 1(b) and (ba)). Time during which a court or the Tribunal stayed payment doesn't count (section 28(7)).

The five-year charge can rest on what the importer or exporter, or their agent or employee, did (section 28(4)). If it fails at any stage, the law treats the notice as a two-year notice (section 28(10B)).

The importer who presents the bill of entry, the import declaration, must make sure its information is accurate and complete and its documents authentic and valid (section 46(4A)). Section 9A(8) of the Customs Tariff Act, 1975 applies the Customs Act's rules on short levy, interest, appeals and penalties to anti-dumping duty. The investigations behind those duties are on the Directorate General of Trade Remedies (DGTR) trade remedies tracker.

Where the dispute is over value, origin or classification, see customs valuation, trade agreement claims under CAROTAR or customs advance rulings. For the wider law, see customs in India.

Must customs consult you before a show cause notice?

Customs must hold a pre-notice consultation before it serves a two-year show cause notice under section 28(1)(a) of the Customs Act. Under the Pre-notice Consultation Regulations, 2018, the officer tells you the grounds in writing and you have fifteen days to reply. Section 28(4), the five-year notice, has no consultation proviso.

The officer is to start, as far as possible, at least two months before the time limit runs out (Notification No. 29/2018-Customs (N.T.), regulation 3(1)). If your reply asks for a hearing, the officer may hear you within ten days of it, with no adjournment (regulation 3(2) and 3(3)).

The consultation ends within sixty days of the letter giving the grounds, and a simple letter tells you if the officer drops the notice (regulation 3(4) and 3(5)). If you don't reply within fifteen days, the notice follows with no further letter (regulation 3(2), proviso). A later notice on the same issue, for another period or other documents, can follow with no new consultation (regulation 3(6)).

Can you close a customs demand by paying?

Yes. A two-year customs demand ends without a notice or a penalty if you pay the duty and interest before the notice (section 28(2) of the Customs Act). Paying them in full within thirty days of the notice ends it without a penalty. In a five-year case, you also pay 15% of the duty within thirty days (section 28(5)).

Paying to close a demand

When you pay	What you pay	Effect	Source
Before a two-year notice	Duty and interest, on your own figure or the officer's, then you tell the officer in writing	No notice and no penalty for the amount paid	Section 28(1)(b) and 28(2)
Within thirty days of a two-year notice	The duty and interest in the notice, in full	No penalty, and the proceedings are deemed concluded	Section 28(2), proviso

Within thirty days of a five-year notice	The duty you accept, its interest and 15% of that duty, then you tell the officer	The proceedings are deemed conclusive once the officer finds the payment full	Section 28(5) and 28(6)(i)

Since the Finance Act, 2026, that 15% counts as a charge for non-payment of duty once the officer confirms full payment (section 28(6)(i), amended by section 147 of that Act). That closure leaves the Act's offence sections, 135, 135A and 140, untouched.

A short payment brings a notice for the shortfall (section 28(3) and 28(6)(ii)). A case closed under the section 28(2) proviso or section 28(6)(i) carries no fine in place of confiscation for goods that are not prohibited or restricted (section 125(1), first proviso).

How long does customs have to decide a show cause notice?

Customs has six months from a two-year notice and one year from a five-year notice to decide it (section 28(9) of the Customs Act). A senior officer can extend each once, by six months or one year. If the officer still hasn't decided, the proceeding is deemed concluded as if no notice had been issued.

Section 28(9A) restarts that time from the day one of four reasons ends, and the officer must tell you which reason applies:

- a similar appeal, yours or another person's, is pending before the Tribunal, a High Court or the Supreme Court;
- one of those forums has issued an interim stay;
- the Central Board of Indirect Taxes and Customs (CBIC) has directed that a similar matter be kept pending;
- the Settlement Commission has admitted your application.

A notice issued before March 29, 2018 stays under section 28 as it stood then (Explanation 4). The deemed conclusion came with the Finance Act, 2018 (CBIC's footnote 18).

What interest does customs charge on unpaid duty?

Interest on unpaid customs duty is 15% a year, the rate Notification No. 33/2016-Customs (N.T.) fixed from April 1, 2016 under section 28AA of the Customs Act. Interest runs from the first day of the month after the month the duty was due, up to the day you pay.

Section 28AA(2) lets the government fix a rate between 10% and 36% a year by notification. Notification No. 33/2016-Customs (N.T.), dated March 1, 2016, fixed the 15%.

What penalties can customs impose in a duty case?

Section 112 of the Customs Act allows up to 10% of the duty evaded or ₹5,000, whichever is higher, for dutiable goods liable to confiscation. Section 114A sets a penalty equal to the duty where there was collusion, wilful misstatement or suppression. Section 114AA allows up to five times the value of the goods for a knowingly false document.

Customs penalties

Section	When it applies	Amount	Reduction	Source
Section 112(i)	Prohibited goods made liable to confiscation	Up to the value of the goods or ₹5,000, whichever is greater	None in the section	Section 112(i)
Section 112(ii)	Dutiable goods, not prohibited, made liable to confiscation	Up to 10% of the duty sought to be evaded or ₹5,000, whichever is higher	25% of the penalty set, if the duty and interest are paid within thirty days of the order	Section 112(ii) and its proviso
Section 114A	Short-levy through collusion, wilful misstatement or suppression	Equal to the duty or interest determined	25% of that duty or interest, if the duty, interest and reduced penalty are paid within thirty days of the order	Section 114A, first and second provisos
Section 114AA	Knowingly or intentionally making, signing or using a declaration, statement or document false or incorrect in a material particular	Up to five times the value of the goods	None in the section	Section 114AA

A penalty under section 114A rules out one under section 112 or 114 for the same case (section 114A, fifth proviso).

What happens when customs confiscates imported goods?

Customs can confiscate imported goods that don't match the bill of entry in value or any other detail (section 111(m) of the Customs Act). For goods that aren't prohibited, the officer must offer them back for a redemption fine, capped at the market price less duty, with duty and charges paid on top (section 125).

The option lapses if you don't pay the fine within 120 days of the date it was given, unless an appeal against the order is pending (section 125(3)). For prohibited goods, the officer may offer the option but doesn't have to (section 125(1)).

Seized goods can be released before the case is decided, on a bond with the security and conditions the adjudicating authority sets (section 110A).

Must you answer a customs summons under section 108?

Yes. Section 108 of the Customs Act lets any gazetted customs officer summon a person to give evidence or produce documents in an inquiry. You must attend in person or through an authorized agent, as the officer directs, state the truth on what you're examined about, and produce the documents asked for (section 108(3)).

Once an audit, a search, a seizure or a summons under section 108 has started and been told to you, you can no longer revise a bill of entry yourself under section 18A (section 18A(5)).

When the Directorate of Revenue Intelligence (DRI) investigates, see DRI investigations of imports for summons, statements, searches, seizure and your rights.

Who acts first when customs says an export scrip was obtained by fraud?

Customs acts first when it says a scrip was obtained by misdeclaring the shipping bill, the export declaration, for example by misclassification or overvaluation. Questions of policy, eligibility or entitlement go first to the Directorate General of Foreign Trade (DGFT), whose view prevails. CBIC set this order in Instruction No. 17/2026-Customs of September 21, 2026.

Section 28AAA recovers duty from the person a scrip or other instrument was issued to, where it was obtained by collusion, wilful misstatement or suppression and someone else used it. That person gets thirty days to show cause, and interest runs from the date of use (section 28AAA(2) and 28AAA(3)).

In a misdeclaration case, customs decides first, amends the shipping bill where warranted, then refers the matter to DGFT. Where DGFT can't cancel on technical or legal grounds, such as a court order, customs decides on the merits. In every other case where DGFT has begun cancelling, customs decides only after it cancels (Instruction No. 17/2026-Customs, paragraphs 3 and 4).

See our insight, CBIC sets who acts first in Section 28AAA scrip fraud cases.

How do you appeal a customs order?

You appeal a customs order to the Commissioner (Appeals) within sixty days if an officer below Commissioner rank passed it. A Commissioner's order goes to the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) within three months. You first deposit 7.5% of the duty, or of the penalty if only that is disputed, and 10% against a Commissioner (Appeals) order.

1. Note the date the order reached you.

Every time limit runs from the date the order was communicated to you (section 128(1); section 129A(3)).

2. Find the forum and the pre-deposit.

Neither forum hears an appeal until the pre-deposit is paid (section 129E).

3. File in time.

The Commissioner (Appeals) can allow thirty more days for sufficient cause, and no more (section 128(1), proviso). The Tribunal may admit a late appeal if it's satisfied there was sufficient cause (section 129A(5)).

Appeals and pre-deposits

Order passed by	Appeal to	Time limit	Pre-deposit	Source
An officer below Commissioner rank	Commissioner (Appeals)	60 days, plus 30 days for sufficient cause	7.5% of the duty in dispute, or of the penalty if only that is disputed	Sections 128(1) and 129E(i)
A Commissioner, as adjudicating authority	CESTAT	3 months	7.5% of the duty in dispute, or of the penalty if only that is disputed	Sections 129A(1)(a) and 129E(ii)
The Commissioner (Appeals)	CESTAT	3 months	10% of the duty in dispute, or of the penalty if only that is disputed	Sections 129A(1)(b) and 129E(iii)
The Commissioner (Appeals), on baggage, drawback or goods not unloaded at their destination in India	Not CESTAT: a revision application to the central government	3 months, plus 3 months for sufficient cause	None set in section 129E	Sections 129A(1) and 129DD

Each pre-deposit is capped at ₹10 crore (section 129E, first proviso). Section 129E doesn't say whether the 7.5% paid at the first appeal counts toward the 10% at the Tribunal.

To claim duty back after an appeal, see customs duty refunds and drawback. DGFT penalties follow a different law: see DGFT appeal, penalties and the Denied Entity List.

How IndusDesk helps with a customs notice

We read the notice or the order against the Act, the rules and the notifications it relies on. We build the facts and the reply with your counsel, and follow the case on record in your workspace, from the consultation letter to the appeal. Where a member of our team is entitled to appear

under section 146A of the Customs Act, they can represent you before the customs officer or the Tribunal themselves.

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Latest notices and insights

- CBIC says when to decide Section 28AAA show cause notices on export scrips (Notice, September 21, 2026)

Frequently asked questions

Is the time limit for a customs demand one year or two?

Two years from the relevant date, where no collusion, wilful misstatement or suppression is alleged (section 28(1)(a) of the Customs Act). The Finance Act, 2016 replaced one year with two from May 14, 2016. With those charges, the limit is five years (section 28(4)).

Is interest on customs duty 24%?

No. Interest on unpaid customs duty has been 15% a year since April 1, 2016, under Notification No. 33/2016-Customs (N.T.) and section 28AA of the Customs Act.

Is the CESTAT pre-deposit always 10%?

No. An appeal to CESTAT against a Commissioner's own order needs 7.5% of the duty in dispute, or of the penalty if only that is disputed. Only an appeal against an order of the Commissioner (Appeals) needs 10% (section 129E(ii) and (iii)), and both are capped at ₹10 crore.

Sources

- Customs Act, 1962, section 28 (CBIC's consolidated text, read November 7, 2026): recovery of duties, sub-sections (1) to (10B), Explanations 1 and 4, and footnotes 4, 18 and 25
- Customs Act, 1962, section 28AA (CBIC's consolidated text, read November 7, 2026): interest on delayed payment of duty
- Notification No. 33/2016-Customs (N.T.), March 1, 2016: rate of interest under section 28AA, paragraphs 1 and 2
- Notification No. 29/2018-Customs (N.T.), April 2, 2018: Pre-notice Consultation Regulations, 2018, regulation 3
- Customs Act, 1962, section 28AAA (CBIC's consolidated text, read November 7, 2026): recovery of duties in certain cases
- Instruction No. 17/2026-Customs, September 21, 2026: adjudicating section 28AAA notices on export scrips, paragraphs 3 and 4 (PDF, 273 KB)
- Customs Act, 1962, sections 18A(5), 46(4A), 108, 110A and 111(m) (CBIC's consolidated texts, read November 7, 2026)
- Customs Act, 1962, sections 112, 114A, 114AA and 125 (CBIC's consolidated texts, read November 7, 2026): penalties and the fine in place of confiscation
- Customs Act, 1962, sections 128, 129A, 129DD and 129E (CBIC's consolidated texts, read November 7, 2026): appeals, revision and pre-deposits
- Customs Tariff Act, 1975, section 9A(8) (CBIC's consolidated text, read November 7, 2026): the Customs Act applied to anti-dumping duty

IndusDesk

hello@indusdesk.com · +91 11 4141 3939

9th Floor, Hemkunt House, Rajendra Place, New Delhi, Delhi 110008, India

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