

Recent Update in Customs Law

Circular No. 05/2025-Customs dated 17.02.2025

The Central Board of Indirect Taxes & Customs (CBIC) has issued the instant Circular digitizing the refund filing process by introducing electronic filing of the application on the ICEGATE Portal, with the objective of enhancing transparency and efficiency.

Automation of Refund Application and Processing in Customs

Objective :

1. Manual filing of refund applications under Section 26 and 27 of the Customs Act, 1962 is being replaced with an electronic system on ICEGATE from 01.04.2025 to enhance transparency and enable electronic disbursement.

Filing of the Application :

2. Refund application is to be filed electronically on the ICEGATE Portal in terms of Customs Refunds Application (Form) Regulations, 1995 with necessary supporting documents (e.g., Unjust Enrichment Certificate).

3. If re-assessment of the Bill of Entry is required, the applicant can request it through ICEGATE before filing the refund application.

4. Refund will be credited to the bank account registered in the Customs Automated System, hence, to be kept updated.

Processing of the Application :

5. Unique Application Reference Number (ARN) will be generated immediately upon filing of the application.

6. The proper officer will scrutinize the application and notify any deficiencies within 10 days of ARN via ICEGATE.

7. Once all deficiencies are rectified, an acknowledgment number will be issued by the Proper Officer, available to the user.

8. SCN or refund sanction order or refund rejection order will be uploaded on the ICEGATE portal.

9. Duty ordered to be refunded vide the Refund sanction order be made within three months of receipt of application to prevent interest liability.

10. Refund rejection order must be a speaking order giving reasons for denial.

Audit Mechanism :

11. Concurrent audit of refund claims is discontinued.

12. Refunds will now undergo post-audit mechanism, with selection criteria for audit to be determined by DG-Audit in consultation with DG ARM.

13. Refunds above Rs. 5 lakhs will undergo mandatory post-audit. Refunds between Rs. 50,000 and Rs. 5 lakhs will also be subject to compulsory post-audit. Refunds below Rs. 50,000 will be randomly post-audited, with 25% of cases selected for review.

Refund disbursement :

14. Approved refunds will be electronically credited to the applicant's bank account via PFMS.

15. Refunds transferred to the Consumer Welfare Fund will follow the existing process.

Accessibility to Applicant and Officer :

16. Applicants can track refund application status on the ICEGATE Dashboard.

17. Customs officers will have access to MIS reports to monitor refund pendency.



Transition and timeline :

18. Dual (manual & online) refund filing is allowed until 31.03.2025.

19. Post 31.03.2025, only online applications will be accepted, except in special cases permitted by the Pr. Commissioner/ Commissioner of Customs, for reasons to be recorded in writing.

20. Board Circular Nos. 24/2007-Cus and 22/2008-Cus stand modified to the extent of the new electronic refund process.

White & Brief Takeaways:

1. Familiarize with the ICEGATE portal for online filing of the application and keeping track of the status of the application.

2. In the case of re-assessment, the applicant will have to select the reason for requesting the same and accordingly the competent authority shall undertake the proceedings. User Manual is prescribed for the same.

3. Ensure pre-registration of bank account details in the Customs Automated System.

4. Maintain proper documentation for filing of the application.

5. Prepare for post-audit requirements i.e. this audit system is aimed at checking improper sanction and payment of refunds.

6. Adhere to timelines wherein dual i.e. manual as well as electronic filing of refund application will be allowed till 31.03.2025

7. From 01.04.2025 only online applications via ICEGATE will be permitted.

White & Brief Comments :

While the Circular is a step towards transitioning from manual to electronic filing of reassessment and refund application, it does not prescribe a definitive list of documents which would be required to streamline the scrutiny process by the officers besides avoiding any hassle on the part of the importers. Therefore, it is advisable to maintain and enclose robust underlying documentation at the time of filing a refund application.

Although the assessment of the Bill of Entries is made faceless, the refund application would be submitted to the jurisdictional authority. This means two different authorities may scrutinize the same Bill of Entry, raising concerns about consistency in approach and one may only hope that the approach adopted by the first authority would be followed by the subsequent authorities. Therefore, the businesses are advised to proactively engage and liaise with the relevant jurisdictional port authorities post filing of the refund application for expeditious disposal of refund claims.