Industry seeks Customs SVB scrapping

MONIKA YADAV
New Delhi, 22 January

Ahead of the Union Budget 2026-27, industry has demanded the scrapping of Customs Special Valuation Branch (SVB), a specialised unit that examines whether prices of imports between related parties, such as an Indian subsidiary and its foreign parent, have been influenced by their relationship. Businesses argue that while the SVB was set up to prevent undervaluation and revenue leakage, its functioning has increasingly led to prolonged delays, uncertainty in duty liability, and high compliance costs.

Under the current framework, importers are required to disclose related-party transactions at the time of filing a Bill of Entry. If the port Customs officer believes the relationship may have influenced pricing, the case is referred to the SVB.

Imports are then cleared under provisional assessment against a bond, while the SVB conducts a detailed investigation into pricing, cost structures, and contractual arrangements.

Although guidelines prescribe that SVB investigations should be completed within two months, experts say that, in practice, probe reports are often issued only after one to two years. "During this period, all related imports continue to be assessed provisionally, keeping the final Customs duty liability open-ended," said Suresh Nair, partner at EY.

Last year's Budget sought to address the issue by introducing a statutory time limit of two years, extendable by another year, for finalising provisional assessments. "However, businesses argue that this has not addressed the delays on ground as the completion process still takes a lot of time," said Harpreet Singh, partner with Deloitte.

Experts point to several operational and constitutional challenges. The SVB process involves repeated interactions with Customs officers and extensive information requests, including commercially sensitive financial and pricing data, much of which is already examined by income tax authorities under transfer pricing rules. "Poor internal coordination within Customs often results in duplicate submissions of documents across ports and SVB cells, adding to procedural inefficiencies, thereby posing a question of judicial intervention," said Abhishek A Rastogi, founder of Rastogi Chambers, tax and constitutional expert.

Another key concern is rigidity in the framework. Even minor or non-substantive changes, such as renewal of inter-company agreements without a change in pricing terms, can trigger a fresh SVB review. This, industry says, defeats the objective of valuation certainty and increases litigation risk.