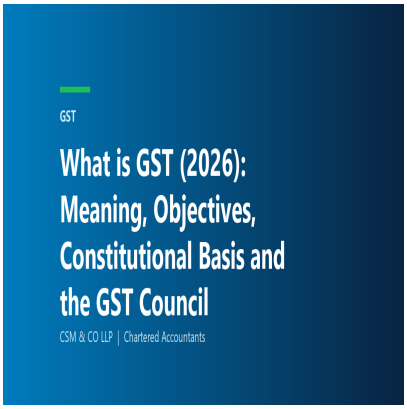

What is GST (2026): Meaning, Objectives, Constitutional Basis and the GST Council

Description

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Quick summary

- GST is a single, destination-based indirect tax on the supply of goods and services, replacing a web of Central and State taxes (excise, service tax, VAT, CST, entry tax and more) that existed before 1 July 2017.
- It exists in the Constitution because of Article 246A, inserted by the Constitution (101st Amendment) Act, 2016 - both Parliament and every State Legislature can make GST law, with Parliament alone having power over inter-State GST.
- Rates, exemptions, thresholds and the taxes subsumed into GST are not decided by one government alone - Article 279A set up the GST Council, where the Centre's vote counts one-third and all States together count two-thirds, and a decision needs three-fourths of the weighted votes.
- "One Nation, One Tax" is the slogan; in practice it means one chain of input tax credit running across CGST, SGST/UTGST and IGST, replacing taxes that used to cascade on top of each other.
- GST is destination-based - the tax revenue belongs to the State or Union Territory where goods or services are finally consumed, not where they are made or sold from.

GST - the Goods and Services Tax - is a single indirect tax charged on the supply of goods and services, in force across India since 1 July 2017. It replaced a long list of separate Central and State taxes with one tax, collected through one chain of input tax credit, administered through one common portal.

New to GST terms such as "input tax credit" or "cascading tax"? See the technical terms explained in simple words further down.

What GST actually is

GST is levied on the **supply** of goods or services (not on manufacture, sale, or provision of service separately, as the old system taxed them), at the point the supply happens, and collected in stages all the way from the first supplier to the final consumer - with each stage able to claim credit for the GST already paid at the stage before it. Only the value added at each stage is effectively taxed by the time the chain reaches the end

customer.

GST itself is split into CGST, SGST/UTGST and IGST depending on whether a supply is within one State or between States - see our separate guide, CGST, SGST, IGST and UTGST Explained, for how that split and credit chain works.

The constitutional basis: Article 246A

GST could not exist as a single tax under India's original Constitution, because the power to tax goods and the power to tax services sat with different levels of government. The **Constitution (One Hundred and First Amendment) Act, 2016** fixed this by inserting Article 246A:

> "Notwithstanding anything contained in articles 246 and 254, Parliament, and, subject to clause (2), the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State."

In plain terms: both Parliament and every State's own Legislature can make GST law for supplies within that State. For GST on supplies that cross State lines (inter-State trade), **Parliament alone** has that power - which is exactly why IGST exists as a separate Central levy rather than something each State legislates on its own.

The GST Council: who actually decides rates and rules

No single government sets GST rates, exemptions or the registration threshold on its own. Article 279A, also inserted by the 101st Amendment, created the **GST Council** for exactly that purpose, within 60 days of the amendment coming into force.

Composition:

- The Union Finance Minister - Chairperson
- The Union Minister of State in charge of Revenue or Finance - Member
- One Minister nominated by every State Government (usually the Finance Minister) - Member

What the Council recommends (Article 279A(4)):

- Which Central, State and local taxes get merged into GST
- Which goods and services are taxed, or exempted
- Model GST laws, levy principles, and place-of-supply rules
- The turnover threshold below which a business is exempt from GST
- GST rates, including floor rates and rate bands
- Special rates to raise money during a natural calamity or disaster
- Special treatment for Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand
- The date from which GST applies to petroleum crude, diesel, petrol, natural gas and aviation turbine fuel (still pending as of this post)

How a decision gets made (Article 279A(7)-(9)):

- A quorum of **half the total members** is needed for a meeting.
- A decision needs **at least three-fourths of the weighted votes** of members present and voting.
- The **Centre's vote carries one-third weight**, and **all the States' votes together carry two-thirds weight** - so neither the Centre alone nor a handful of States can force a decision through on their own.

This voting structure is why GST Council meetings are reported on so closely: a rate change, an exemption, or a new compliance rule only takes effect once it clears that three-fourths threshold.

What GST replaced

Side	Taxes subsumed into GST
Central	Central Excise Duty, Service Tax, Additional Customs Duty (CVD), Special Additional Duty of Customs, Central cesses and surcharges related to supply of goods and services
State	State VAT, Central Sales Tax, Entry Tax, Luxury Tax, Entertainment Tax (other than what is levied by local bodies), Purchase Tax, State cesses and surcharges related to supply of goods and services

Under the old system, a product could pick up excise duty at the factory gate, VAT when sold within the State, and CST when sold across a State border - with no credit available between these different taxes, so each one added to the cost on top of the last (a "cascading" or "tax on tax" effect). GST's single chain of credit removes that cascade.

Core features and objectives

- **One nation, one tax** - a uniform tax structure across States, replacing a patchwork of different State VAT rates and rules.
- **Destination-based** - GST revenue belongs to the State or Union Territory where goods or services are **finally consumed**, not where they were produced or billed from. This is why an inter-State sale is taxed as IGST and later apportioned to the consuming State.
- **Dual GST structure** - both the Centre and the States tax the same supply simultaneously (as CGST plus SGST, or IGST for inter-State supplies), reflecting India's federal structure under Article 246A.
- **Seamless input tax credit** - credit flows from the first supplier to the last, so only the value added at each stage carries real tax.
- **Technology-driven compliance** - registration, returns, payments and refunds are all handled through the common GST Portal (GSTN), rather than separate State-wise systems.
- **A uniform threshold for registration** - a small business below the turnover limit is exempt from registering at all, and a business just above it can opt for the simplified Composition Scheme (see our Composition Scheme guide).

How CSM & Co LLP can help

Whether you are registering for GST for the first time, structuring a business across more than one State, or trying to understand why a notice or a credit mismatch has come up, understanding which level of government is actually responsible for a rule - the Centre, a State, or the GST Council jointly - is often the first step to resolving it. Please reach out to our team and we will be happy to assist.

Technical terms explained in simple words

Term	What it means
Supply	The GST law's word for a sale, transfer, exchange or other provision of goods or services for a consideration - the event that actually triggers GST.
Cascading tax / tax on tax	Where one tax is charged on a price that already includes another tax, inflating the final cost with no credit given for the earlier tax paid.
Input tax credit	The GST already paid on a business's own purchases, which it can subtract from the GST it owes on its own sales.
Destination-based tax	A tax whose revenue belongs to where goods or services are finally consumed, not where they were made or sold from.
GST Council	The joint body of the Union Finance Minister and every State's Finance (or equivalent) Minister that recommends GST rates, exemptions and rules, under Article 279A of the Constitution.
Floor rate / rate band	A minimum GST rate, or a range of rates, that the GST Council can set for a category of goods or services, within which the actual notified rate is fixed.

Frequently asked questions

What is GST in simple terms?

GST (Goods and Services Tax) is one indirect tax charged on the supply of goods and services across India, replacing most of the separate Central and State taxes that applied before 1 July 2017, such as excise duty, service tax, VAT and entry tax.

Which article of the Constitution allows GST to be levied?

Article 246A, inserted by the Constitution (101st Amendment) Act, 2016. It gives Parliament and every State Legislature the power to make GST law, with Parliament alone having exclusive power over GST on inter-State supplies.

What is the GST Council and who decides GST rates?

The GST Council, set up under Article 279A, chaired by the Union Finance Minister with a Minister from every State as a member. It recommends rates, exemptions, the threshold for registration, and which taxes are merged into GST. No single government decides rates alone - a decision needs three-fourths of the weighted votes, with the Centre's vote worth one-third and all States together worth two-thirds.

Why is GST called a destination-based tax?

Because the tax revenue goes to the State or Union Territory where the goods or services are actually consumed, not the State where they were manufactured or sold from. This is why IGST on an inter-State sale is first collected by the Centre and then apportioned to the consuming State.

What taxes did GST replace?

On the Central side: central excise duty, service tax, additional customs duty (CVD), special additional duty of customs. On the State side: State VAT, Central Sales Tax, entry tax, luxury tax, entertainment tax (except what local bodies levy), purchase tax and some State cesses and surcharges.

What are the main objectives of GST?

A single national market in place of fragmented State-wise taxation, removing the cascading "tax on tax" effect that the earlier system had, a continuous chain of input tax credit from the manufacturer to the final consumer, and simpler, more uniform compliance across States through one common portal.

Official sources

- CBIC Tax Information Portal - Constitution (101st Amendment) Act, 2016, Section 2 (Insertion of Article 246A)
- CBIC Tax Information Portal - Constitution (101st Amendment) Act, 2016, Section 12 (Insertion of Article 279A, GST Council)
- GST Portal

Related reading

- 57th GST Council: What Has Become Law as on 17 November 2026
- GST Rate Changes from 1 November 2026: Scrap, Isabgol and Tyres
- GST Post-Sale Discounts: New Section 15(3)(b) Rules from November 2026

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