

CGST, SGST, IGST and UTGST Explained (2026): How GST Splits Between Centre and State

Description

Last updated: 15 August 2026 · Written and reviewed by CA Meet Dhrangadhariya, CSM & Co LLP

Quick summary

- GST has four components - CGST, SGST, UTGST and IGST - and which ones apply depends only on whether a supply is intra-State or inter-State, never on the product or the buyer.
- A supply within the same State charges CGST plus SGST (or UTGST in a Union Territory without its own legislature); a supply between two States or Union Territories charges IGST alone.
- CGST is capped at 20 percent and IGST at 40 percent by the Acts themselves - the GST Council's notified rates are always far lower, and CGST plus SGST together equal the single IGST rate for the same goods or services.
- Credit of IGST must be used up first, for IGST, before any of it can be used for CGST or SGST; CGST credit can never be used to pay SGST, and SGST credit can never be used to pay CGST.
- GST is a destination-based tax: the State that finally consumes the goods or services gets the SGST/UTGST revenue, not the State where they were made or sold from.

GST is one tax on paper, but every rupee of it is actually split between the Centre and a State (or Union Territory) before it reaches the exchequer. Which split applies, and how much of it a business can set off against which liability, depends on a single question: is this supply happening inside one State, or across two?

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

The four components of GST

- **CGST** - Central Goods and Services Tax, collected by the Central Government
- **SGST** - State Goods and Services Tax, collected by the State Government
- **UTGST** - Union Territory Goods and Services Tax, collected in a Union Territory that has no legislatureof its own
- **IGST** - Integrated Goods and Services Tax, collected by the Centre on inter-State supplies and apportioned afterwards

Before GST, these same collections sat under separate laws - central excise, service tax, State VAT, entry tax, luxury tax, and more. GST folded all of them into one structure, with CGST and SGST/UTGST replacing the Centre's and the State's share respectively, and IGST replacing what used to be CST (Central Sales Tax) on inter-State trade.

Which one applies: the only question that matters

Under section 8 of the IGST Act, 2017 (Intra-State supply), a supply is intra-State when the location of the supplier and the place of supply are in the **same State or the same Union territory**. CGST and SGST (or UTGST) then apply together, in equal halves of the total rate.

Under section 7 of the IGST Act, 2017 (Inter-State supply), a supply is inter-State when the supplier's location and the place of supply are in **two different States, two different Union territories, or a State and a Union territory** - and the same treatment applies to imports into India, exports, and any supply to or by a Special Economic Zone developer or unit. IGST alone applies.

	Intra-State supply	Inter-State supply
Tax charged	CGST + SGST (or UTGST)	IGST
Who collects it	Central Government + State/UT Government	Central Government, later apportioned to the consuming State
Covers	Supplies within one State/UT	Supplies between States/UTs, imports, exports, SEZ supplies

The product being sold has no bearing on which of these applies - a trader in Gujarat selling to a buyer in Gujarat always charges CGST and SGST, and the same trader selling the identical item to a buyer in Maharashtra always charges IGST instead. Only the location of the supplier against the place of supply decides it.

CGST: the Centre's share

Section 9 of the CGST Act, 2017 (Levy and collection) levies CGST on all intra-State supplies of goods or services, except alcoholic liquor for human consumption, at a rate the Government notifies on the GST Council's recommendation - **capped by the Act itself at 20 percent**. The notified rates actually used (2.5, 6, 9, 14 percent and so on, paired with an equal SGST rate to make up the familiar 5, 12, 18, 28 percent slabs) sit well under that ceiling.

CGST credit can be used to pay CGST or IGST liability. It can never be used to pay SGST or UTGST.

SGST and UTGST: the State's (or Territory's) share

An equal SGST rate is levied by each State's own SGST Act on the same intra-State supply, collected for that State. SGST replaced the pre-GST State VAT, entry tax, luxury tax and entertainment tax.

Where the place of supply is in a Union Territory that has no legislature of its own - **Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli and Daman and Diu, Chandigarh, and Ladakh** - the Union Territory Goods and Services Tax Act, 2017 levies UTGST instead of SGST, at the same rate. Delhi, Jammu and Kashmir, and Puducherry have their own legislatures, so SGST applies there like any other State.

SGST/UTGST credit can be used to pay SGST/UTGST or IGST liability. It can never be used to pay CGST.

IGST: the inter-State and import/export tax

Section 5 of the IGST Act, 2017 (Levy and collection) levies IGST on inter-State supplies of goods or services (with the same alcoholic-liquor exclusion as CGST), at a rate capped by the Act at **40 percent** - in practice, the same combined rate as CGST plus SGST would be for the same supply within a State. Imports of goods are taxed as IGST at the point customs duty is levied, under the Customs Tariff Act, 1975; exports are zero-rated.

IGST is collected by the Centre and then apportioned between the Centre and the State where the goods or services are finally consumed, since GST is a **destination-based** tax - the revenue goes to where the supply ends up being used, not where it was made or billed from.

A worked example: CGST and SGST

M/s Rajesh Traders in Chhattisgarh sells goods worth Rs 10,000 to a buyer also in Chhattisgarh. The GST rate is 18 percent, split 9 percent CGST and 9 percent SGST.

Step	Amount
Value of supply	Rs 10,000
CGST @ 9%	Rs 900
SGST @ 9%	Rs 900
Total GST collected from buyer	Rs 1,800

Rs 900 is deposited to the Central Government and Rs 900 to the Chhattisgarh Government.

A worked example: IGST

The same trader sells an identical Rs 10,000 consignment to a buyer in Maharashtra instead. Because the supplier and the place of supply are now in different States, the entire 18 percent is charged as IGST.

Step	Amount

Value of supply	Rs 10,000
IGST @ 18%	Rs 1,800
Total GST collected from buyer	Rs 1,800

The buyer pays the same total tax either way - only how it is labelled, and which governments it is first credited to, changes. The Rs 1,800 IGST goes to the Centre first, and is later apportioned between the Centre and Maharashtra (the consuming State) once the goods are actually consumed there.

How input tax credit moves between CGST, SGST and IGST

Under rule 88A of the CGST Rules, 2017 (Order of utilisation of input tax credit):

1. **IGST credit must be used up fully for IGST liability first.**
2. Only the balance left after that, if any, can be used for CGST or SGST/UTGST liability, **in whichever order the taxpayer prefers**.
3. CGST credit can be used for CGST, then for IGST - but CGST credit cannot be used for IGST until any available IGST credit has itself been fully used.
4. SGST/UTGST credit can be used for SGST/UTGST, then for IGST, on the same condition.
5. **CGST credit and SGST credit can never be set off against each other directly**, in either direction.

This is why a single inter-State sale in a supply chain can shift which State actually ends up with the revenue. A manufacturer in Maharashtra selling to a dealer also in Maharashtra charges CGST and SGST; if that dealer resells to a trader in Rajasthan, the dealer charges IGST instead, and uses the SGST credit sitting in the ledger (after IGST credit is exhausted) to help pay it. Maharashtra's SGST department then transfers that amount to the Centre, which in turn settles Rajasthan's share once the goods are consumed there - keeping the tax destination-based even though it physically moved through Maharashtra's books first.

Why four taxes instead of one

India is a federal country, and the Constitution gives both the Centre and the States the power to levy tax on the supply of goods and services. Splitting GST into CGST/IGST (Central) and SGST/UTGST (State/Territory) lets both governments raise their own revenue from the same transaction without taxpayers having to deal with two completely separate tax systems - the "One Nation, One Tax" structure, with a single chain of credit running across CGST, SGST/UTGST and IGST instead of the fragmented central and state taxes that existed before GST.

How CSM & Co LLP can help

Getting the CGST/SGST versus IGST call wrong on an invoice, or misapplying the credit set-off order in rule 88A, is one of the most common and most expensive errors in day-to-day GST compliance - it shows up as a credit mismatch or a demand notice much later. Please reach out to our team and we will be happy to assist with invoice classification, credit utilisation, and GST return reconciliation.

Technical terms explained in simple words

Term	What it means
Intra-State supply	A sale where the seller and the place of supply (usually the buyer's location) are in the same State or Union Territory.
Inter-State supply	A sale where the seller and the place of supply are in different States or Union Territories, or the transaction is an import, export, or SEZ supply.
Place of supply	The location the law treats as where a sale "happens" for GST purposes - not always the same as where the goods physically move from or to.
Input tax credit	The GST a business already paid on its own purchases, which it can subtract from the GST it owes on its sales.
Destination-based tax	A tax whose revenue belongs to the place where goods or services are finally consumed, not where they were produced or sold from.
Electronic credit ledger	The online account on the GST Portal that holds a taxpayer's available input tax credit, split by CGST, SGST/UTGST and IGST.

Frequently asked questions

What are the four types of GST in India?

Central GST (CGST), State GST (SGST), Union Territory GST (UTGST) and Integrated GST (IGST). CGST and SGST/UTGST apply together to a supply within one State or Union Territory; IGST applies alone to a supply between two States or Union Territories, including imports and exports.

How do I know whether a transaction attracts CGST plus SGST, or IGST?

Check the location of the supplier against the place of supply. If both are in the same State or Union territory, it is an intra-State supply and CGST plus SGST/UTGST applies. If they are in different States or Union territories, or the transaction is an import, export, or involves an SEZ, it is an inter-State supply and IGST applies.

What is the maximum rate the law allows for CGST and IGST?

Section 9 of the CGST Act caps CGST at 20 percent of the value of the supply, and section 5 of the IGST Act caps IGST at 40 percent. These are legal ceilings, not the rates actually charged - the GST Council notifies the real slabs (5, 12, 18, 28 percent and others), split equally between CGST and SGST for an intra-State supply.

Can CGST credit be used to pay SGST, or SGST credit be used to pay CGST?

No. CGST credit can only be used to pay CGST or IGST, never SGST. SGST credit can only be used to pay SGST or IGST, never CGST. The two streams never cross directly.

In what order must input tax credit be used under GST?

Under rule 88A of the CGST Rules, credit of IGST must be used up fully for IGST liability first. Only the balance left after that, if any, can be used for CGST or SGST/UTGST, in whichever order the taxpayer chooses. CGST or SGST credit can be used for IGST, but only after the IGST credit itself has been fully exhausted.

Which Union Territories charge UTGST instead of SGST?

Union Territories without their own State legislature: Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli and Daman and Diu, Chandigarh, and Ladakh. Delhi, Jammu and Kashmir, and Puducherry have their own legislatures, so SGST applies there, not UTGST.

Official sources

- CBIC Tax Information Portal - Section 9, CGST Act, 2017 (Levy and collection)
- CBIC Tax Information Portal - Section 5, IGST Act, 2017 (Levy and collection)
- CBIC Tax Information Portal - Section 7, IGST Act, 2017 (Inter-State supply)
- CBIC Tax Information Portal - Section 8, IGST Act, 2017 (Intra-State supply)
- CBIC Tax Information Portal - Rule 88A, CGST Rules, 2017 (Order of utilisation of input tax credit)
- GST Portal

Related reading

- GST Litigation Management (2026): ?10,000 Notice Threshold, Penalty as a Charge and Reduced Penalties
- 57th GST Council Meeting (October 2026): Arrest Powers Removed, Faster Refunds and Wider ITC

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meetsoni