GSTZONE

Interstate Supply & Place of Supply

The question that decides which tax you charge

The complete guide, plus all 25 sections and rules

Text sourced from the Central Board of Indirect Taxes and Customs

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A Khemchandani Finance initiative

Start here

Before you can charge anything, you have to know where the supply legally happens. If the place of supply is in the same state as the supplier, it is CGST plus SGST. If it is in a different state, it is IGST. The total is the same - but charging the wrong pair is a real problem to unwind.

For goods the answer usually follows the movement: where the goods are delivered. For services the rules are more varied - the default is the recipient's location if they are registered, otherwise the supplier's, with a long list of specific exceptions for immovable property, events, transport, telecom and more.

Fixing it later is genuinely painful: you cannot simply convert CGST-SGST into IGST. It means a refund claim on one side and a fresh payment on the other, with interest running in the meantime.

A worked example

The invoice that had to be unwound

Bhopal consultant bills a Pune company	**Place of supply: Maharashtra**	IGST was correct
Invoice raised with CGST + SGST	**₹1,80,000 charged wrongly**	Client cannot claim it
Correction	**Refund claim in MP, fresh IGST payment**	Interest accrues in between

> **The point:** The total tax was right. The pockets were wrong - and that took a refund claim, a fresh payment and months to fix. Place of supply is worth getting right at invoice stage, every time.

The mistakes that cost people money

- Using the billing address instead of the place of supply. They are often the same, and when they differ, the law follows the place of supply.
- Applying the general rule to services with a specific rule - immovable property, events, training and transport all have their own.
- Assuming an export of services qualifies as zero-rated without checking every condition, including receipt in convertible foreign exchange.

What this guide covers

Every provision, explained

IGST S.1 · IGST ACT, 2017

Short title, extent and commencement

The IGST Act applies to the whole of India and came into force on the dates the Central Government notified, provision by provision - 22 June 2017 for the machinery provisions and 1 July 2017 for the charge.

IGST S.2 · IGST ACT, 2017

Definitions

The definitions section. Terms used across the IGST Act - continuous journey, export and import of goods and services, location of supplier and recipient, online information services, zero-rated supply - take their meaning here; anything not defined here carries its CGST Act meaning.

IGST S.3 · IGST ACT, 2017

Appointment of Officers

The Board appoints central tax officers to exercise powers under the IGST Act; there is no separate IGST cadre.

IGST S.4 · IGST ACT, 2017

Authorisation of officers of State tax or Union territory tax as proper officer in certain circumstances

State GST and UT GST officers are also proper officers for IGST purposes, subject to conditions the Government notifies. That is why a State officer can pass an order involving IGST.

IGST S.5 · IGST ACT, 2017

Levy and collection

The charging section: IGST is levied on every inter-State supply of goods or services, on the value fixed by section 15 of the CGST Act, at rates up to 40 per cent, and on imported goods at the point of customs clearance. It also carries the reverse charge and the section 9(5) e-commerce liability. Alcoholic liquor for human consumption stays outside the levy.

- The ceiling was raised to forty per cent by the Finance (No.2) Act 2025, which supports the 40 per cent demerit slab notified on 22-09-2025.
- IGST on imported goods is collected under the Customs Tariff Act at the point of clearance, not through the GST return - so the credit comes from the bill of entry, not from GSTR-2B.
- Reverse charge on import of services sits here read with Notification 10/2017-Integrated Tax (Rate); ocean freight under that notification was struck down in Mohit Minerals (SC, 19-05-2022).

IGST S.6 · IGST ACT, 2017

Power to grant exemption from tax

The Government may exempt goods or services from IGST, absolutely or conditionally, by notification on the Council's recommendation, and may grant a special order in an individual case. Every rate and exemption notification flows from this section.

IGST S.6A · IGST ACT, 2017

Power not to recover cess not levied or short levied as a result of general practice.

Where a general practice of not charging or short-charging IGST prevailed across the trade, the Government may direct that the tax not be recovered for that period. It legitimises an industry-wide practice; it is not an individual waiver.

IGST S.7 · IGST ACT, 2017

Inter-State supply

Defines inter-State supply: supplier and place of supply in two different States or Union territories, or a State and a UT. Imports until they cross the customs frontier, supplies to or by an SEZ, exports, and any supply not covered as intra-State are all inter-State - which means IGST, not CGST plus SGST.

- A supply to an SEZ unit or developer is inter-State even if both parties are in the same State - so IGST applies and the supply is zero-rated only for AUTHORISED OPERATIONS.
- Goods imported until they cross the customs frontier remain inter-State, which is what makes a high-seas sale a Schedule III non-supply rather than an intra-State one.
- The residual limb - any supply not treated as intra-State - is what catches supplies to unregistered persons where the place of supply falls in another State.

IGST S.8 · IGST ACT, 2017

Intra-State supply

Defines intra-State supply: supplier and place of supply in the same State or Union territory, so CGST plus SGST applies. Supplies to or by an SEZ unit or developer, imported goods, and supplies to a tourist are carved out and stay inter-State even when both parties sit in one State.

- Two establishments of the same person in different States are separate persons under the Explanation - a branch supplying its own head office is a taxable inter-State supply.
- The SEZ carve-out is the one that surprises people: a supply BY an SEZ unit into the domestic tariff area is treated as an import by the buyer, who pays customs duty and IGST.

IGST S.9 · IGST ACT, 2017

Supplies in territorial waters

For supplies in territorial waters, the supplier's location or the place of supply is deemed to be in the coastal State or Union territory nearest the baseline, so offshore supplies are attributed to a State instead of falling outside GST.

IGST S.12 · IGST ACT, 2017

Place of supply of services where location of supplier and recipient is in India

Place of supply of services where both supplier and recipient are in India. The default is the recipient's registered address if registered, otherwise the address on record or the supplier's location. Then come the specific rules - immovable property at the property, restaurants and training at the place of performance, events at the venue, transport of goods at the destination, telecom at the installation or billing address, banking and insurance at the address on record.

- Both parties in India: the default is the recipient's registered location - so a service to a registered person is placed where he is registered, whatever address appears on the invoice.
- Immovable property services are placed at the property, which is what forces registration or IGST billing for works on sites in other States.
- The proviso to 12(8) - which placed goods transport to a place outside India at the destination - was OMITTED with effect from 01-10-2023, so such transport is now placed under the general rule.
- Events, training and performance-based services follow where they are actually performed - not where the contract is signed.

IGST S.13 · IGST ACT, 2017

Place of supply of services where location of supplier or location of recipient is outside India

Place of supply where either supplier or recipient is outside India. The default is the recipient's location, with the supplier's location as the fallback when the recipient is untraceable. Exceptions cover services on goods made physically available, services needing physical presence, immovable property, events, banking, and hiring of means of transport. Intermediary services are placed at the supplier's location, which is why an Indian intermediary pays IGST rather than exporting.

- Intermediary services are placed at the SUPPLIER's location under 13(8)(b), which is why an Indian agent earning foreign commission pays IGST instead of exporting. Ernst and Young (Delhi HC, 23-03-2023) held that a person supplying on his own account is not an intermediary - the answer is in the contract, not the label.
- Services relating to goods made physically available, and services requiring the physical presence of the recipient, are placed where they are performed - which defeats export treatment for repair and testing work done in India.
- Research and development services relating to pharmaceuticals supplied to a foreign entity were carved out by notification - check the current entry before applying 13(3).

IGST S.14 · IGST ACT, 2017

Special provision for payment of tax by a supplier of online information and database access or retrieval services

A supplier of online information and database access or retrieval services located outside India, supplying a non-taxable online recipient in India, must itself pay IGST, take simplified registration and file the prescribed return; where it supplies through an intermediary, that intermediary is treated as the supplier.

IGST S.14A · IGST ACT, 2017

Special provision for specified actionable claims supplied by a person located outside taxable territory

A person outside India supplying online money gaming to someone in India must pay IGST, take simplified registration under this section and appoint a representative here; non-compliance can lead to blocking of the platform's access in India. Inserted with effect from 1 October 2023.

IGST S.15 · IGST ACT, 2017

Refund of integrated tax paid on supply of goods to tourist leaving India

A tourist - a non-resident staying in India for up to six months for non-immigrant purposes - may claim refund of the IGST paid on goods taken out of India, in the manner prescribed.

IGST S.17 · IGST ACT, 2017

Apportionment of tax and settlement of funds

Apportionment of the IGST collected between the Centre and the States - for supplies to unregistered persons, composition dealers and persons not entitled to credit, and for imports - and settlement of the resulting funds. It is revenue-sharing machinery, not a taxpayer obligation.

IGST S.17A · IGST ACT, 2017

Transfer of Certain Amounts

Where a taxpayer moves a balance from his IGST electronic cash ledger to the cash ledger under a State or UT GST Act, the Centre must transfer an equal amount to that State or UT account.

IGST S.18 · IGST ACT, 2017

Transfer of input tax credit

Where IGST credit is used to pay CGST, SGST or UTGST, a matching amount moves from the IGST account to that tax's account. This is the settlement behind the credit-utilisation order in section 49 of the CGST Act.

IGST S.19 · IGST ACT, 2017

Tax wrongfully collected and paid to Central Government or State Government

If you treated a supply as inter-State and paid IGST and it is later held to be intra-State, you get refund of the IGST and pay CGST and SGST with no interest on the correcting payment; the same protection works in reverse. This is the section that stops a genuine classification error from becoming an interest and penalty exposure.

- Read with section 77 of the CGST Act and Rule 89(1A): the refund of the wrongly paid tax is claimable within two years of PAYING the correct tax, and no interest is chargeable on the correcting payment.

IGST S.20 · IGST ACT, 2017

Application of provisions of Central Goods and Services Tax Act

Most of the CGST Act - scope of supply, time and value, input tax credit, registration, invoicing, returns, payment, refunds, assessment, audit, demands, appeals and offences - applies to IGST as well, with the changes stated here, such as the doubled thresholds and penalty limits.

- The doubled figures matter: the penalty ceilings and the registration threshold references in the CGST Act apply to IGST with the modifications stated here - so a Rs 10,000 CGST penalty reads as Rs 20,000 in an IGST case.

IGST S.21 · IGST ACT, 2017

Import of services made on or after the appointed day

Import of services on or after 1 July 2017 is taxable under the IGST Act even if the transaction began earlier; to the extent tax was already paid in full under the old law, no IGST is charged again.

IGST S.22 · IGST ACT, 2017

Power to make rules

The Government may make IGST Rules on the Council's recommendation, with retrospective effect where stated, and every rule must be laid before Parliament.

IGST S.23 · IGST ACT, 2017

Power to make regulations

The Board may issue regulations, consistent with the Act and the rules, to carry out the IGST Act.

IGST S.24 · IGST ACT, 2017

Laying of rules, regulations and notifications

Every rule, regulation and notification under the IGST Act must be laid before both Houses of Parliament for thirty days; Parliament may modify or annul it, and anything already done stays valid.

IGST S.25 · IGST ACT, 2017

Removal of difficulties

Removal of difficulties: the Government may pass orders to resolve a difficulty in giving effect to the Act. The five-year window for such orders has closed, so the existing Removal of Difficulty Orders stand but no new one can be issued.