

Inward and Outward Supply under GST (2026): Meaning, Reporting and Differences

Description

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Quick summary

- Inward supply (section 2(67), CGST Act) is what a business receives - purchases, imports, services availed - and it is the basis for claiming input tax credit; outward supply (section 2(83)) is what a business supplies in the course of business, and is the basis for output tax liability.
- Inward supplies are not reported directly by the recipient; they flow from the supplier's GSTR-1 into the recipient's GSTR-2A, GSTR-2B and the Invoice Management System, and only the eligible ITC total is declared in GSTR-3B Table 4.
- Outward supplies are reported directly by the supplier, invoice-wise or consolidated depending on the buyer and value, across GSTR-1, GSTR-3B and GSTR-9.
- The B2C Large invoice-value threshold in GSTR-1 was reduced from Rs 2.5 lakh to Rs 1 lakh with effect from the August 2024 tax period - a figure many older write-ups still state at the old level.
- Reconciling the purchase register against GSTR-2B, and the sales register against GSTR-1, before filing GSTR-3B is the single most effective check against ITC mismatches and return errors.

Correctly telling an inward supply from an outward supply decides which GST return table a transaction belongs in, and whether it feeds an input tax credit claim or an output tax liability. Getting this wrong is one of the more common sources of mismatches between a business's books and its GST returns.

What is inward supply

Under **section 2(67) of the CGST Act**, inward supply is the receipt of goods or services, by purchase, acquisition or any other means, with or without consideration.

Examples:

- Raw material purchases
- Availing consultancy or other professional services
- Import of goods or services

- Credit purchases

Inward supplies are generally eligible for input tax credit, subject to the restrictions in section 17(5) (blocked credits).

How inward supply flows through GST returns

A recipient does not directly report inward supplies; they are reported through the supplier's filings and then flow to the recipient:

- **GSTR-1 (supplier filing):** the supplier uploads invoice details here.
- **GSTR-2A:** a dynamic, continuously-updating statement reflecting what suppliers have uploaded or amended.
- **GSTR-2B:** a static, once-a-month statement (generated on a fixed date, generally the 14th of the following month), used as the basis for claiming input tax credit.
- **GSTR-3B:** inward supplies are not reported line-wise; only the total eligible ITC is declared, in Table 4.
- **GSTR-9 (annual return):** a consolidated, year-level disclosure of inward supplies and ITC availed, reconciling the monthly/quarterly filings against the annual position.

The flow in practice: the supplier uploads the invoice in GSTR-1, it appears in the recipient's GSTR-2A and the Invoice Management System (IMS), the recipient reconciles it against their purchase register and takes action in IMS, it then flows into GSTR-2B, and the recipient reports the resulting eligible ITC in GSTR-3B. Reconciling the purchase register with GSTR-2B before claiming ITC in GSTR-3B is the standard safeguard against mismatches and ineligible claims.

HSN-wise summary of inward supplies in GSTR-9

Field	Source
HSN code (6 or 8 digit)	Purchase register / GSTR-2A
Description	Auto or manual
UQC (unit, e.g. NOS, KGS, LTR)	Purchase data
Total quantity	Purchase data
Total value	Books
Taxable value	Books
Rate of tax	Books / GSTR-2A
IGST / CGST / SGST	Based on place of supply (inter-State or intra-State)

This detail is reported in Table 18 of GSTR-9; verify it against the purchase register and GSTR-2B before filing.

What is outward supply

Under **section 2(83)**, “outward supply,” in relation to a taxable person, means a supply of goods or services by sale, transfer, barter, exchange, licence, rental, lease or disposal, or any other mode, made or agreed to be made in the course or furtherance of business.

An outward supply is therefore made by a taxable person, can take several forms (sale, barter, lease, licence and more), must be in the course or furtherance of business, and covers both goods and services. This definition is the basis for determining GST liability, since outward supplies are generally taxable unless specifically exempted.

Examples: sale of goods to a customer, leasing machinery to another business, providing consulting services, bartering office equipment, and an advance received for a future supply.

How outward supply is reported in GSTR-1

Supply type	Description	GSTR-1 table
B2B supplies	Invoice-wise details of taxable supplies to registered persons	Table 4A
B2B supplies under reverse charge	Supplies to registered persons liable to RCM (e.g. GTA, legal services)	Table 4B
Supplies via e-commerce operators	Supplies attracting TCS provisions	Table 4C
B2C Large supplies	Invoice-wise details of inter-State supplies above Rs 1 lakh	Table 5A
B2C Small supplies	Consolidated details of supplies at or below Rs 1 lakh	Table 7
Exports	Invoice-wise details, with or without payment of tax	Tables 6A, 6B
Nil-rated / exempt / non-GST supplies	Summary figures	Table 8
Credit / debit notes	Amendments to earlier invoices	Tables 9B, 9C

The B2C Large threshold is Rs 1 lakh, not Rs 2.5 lakh. GSTN reduced the invoice-value threshold for reporting an inter-State B2C supply individually (rather than in the consolidated B2C Small figure) from Rs 2.5 lakh to Rs 1 lakh, effective for the GSTR-1 of the August 2024 tax period onward. Several older guides still quote the earlier Rs 2.5 lakh figure; check this before relying on any pre-2024 reference.

How outward supply is reported in GSTR-3B and GSTR-9

Form	Category	Table reference
GSTR-3B	B2B, B2C Large, B2C Small supplies	Table 3.1(a)
GSTR-3B	Exports and SEZ supplies (zero-rated)	Table 3.1(b)
GSTR-3B	Nil-rated / exempt / non-GST supplies	Table 3.1(c)
GSTR-3B	Supplies attracting reverse charge	Reported by the recipient, Table 3.1(d)
GSTR-3B	Credit / debit notes	Adjusted within 3.1(a)/(b)/(c) as applicable
GSTR-9	B2B supplies (taxable, RCM, e-commerce)	Tables 4A, 4B, 4C
GSTR-9	B2C Large supplies	Table 5A
GSTR-9	B2C Small supplies	Table 5B
GSTR-9	Exports / SEZ supplies	Tables 6A, 6B
GSTR-9	Nil-rated / exempt / non-GST supplies	Tables 5D, 5E, 5F
GSTR-9	Credit / debit notes	Table 9B

HSN-wise summary of outward supplies in GSTR-9 (Table 17)

Field	Source table	Notes
HSN code	Table 12 of GSTR-1	Mandatory above the prescribed turnover limit
UQC (unit)	Table 12	e.g. kg, pcs
Total quantity	Table 12	Reported with HSN and UQC
Taxable value	Tables 4, 5, 6, 7, 9, 12	Value after discount/exemption
Rate of tax	Tables 4, 5, 6, 7, 9	As applicable to the item/invoice
IGST / CGST / SGST	Same tables	Based on place of supply

Cross-check this summary against the sales register or ERP before filing.

Key differences between inward and outward supply

Basis	Inward supply	Outward supply
Who initiates it	Recipient	Supplier
Effect on GST return	ITC claim in GSTR-3B	Tax liability in GSTR-1 and GSTR-3B
Document involved	Purchase invoice	Sales invoice
Purpose	Consumption / utilisation	Sale / distribution

Why the classification matters

Correctly telling inward and outward supplies apart affects the calculation of tax liability, ITC eligibility, the accuracy of the annual return, and exposure in a GST audit. Regular reconciliation between the GST portal's statements (GSTR-2A/2B for inward, GSTR-1 for outward) and the books remains the most effective way to avoid both an understated liability and an overstated or ineligible ITC claim.

How CSM & Co LLP can help

Reconciling inward and outward supplies across GSTR-1, GSTR-2B, GSTR-3B and the annual return is a routine but error-prone exercise - please reach out to our team and we will be happy to assist with monthly reconciliation and return filing.

Technical terms explained in simple words

Term	What it means
Inward supply	What a business receives - goods or services bought, acquired or imported.
Outward supply	What a business supplies to others in the course of its business.
GSTR-2A	A dynamic statement showing what suppliers have uploaded against a recipient's GSTIN, updated continuously.
GSTR-2B	A static, once-a-month statement used as the basis for claiming input tax credit.
Invoice Management System (IMS)	The GST portal facility where a recipient accepts, rejects or keeps pending each supplier invoice before it is treated as eligible for credit.

Term	What it means
B2C Large supply	A business-to-consumer, inter-State supply above the prescribed invoice-value threshold (currently Rs 1 lakh), reported invoice-wise rather than as a consolidated figure.

Frequently asked questions

What is an inward supply under GST?

Under section 2(67) of the CGST Act, an inward supply is the receipt of goods or services, by purchase, acquisition or any other means, with or without consideration. Raw material purchases, services availed, imports and credit purchases are all inward supplies.

What is an outward supply under GST?

Under section 2(83), an outward supply is a supply of goods or services by a taxable person, by sale, transfer, barter, exchange, licence, rental, lease, disposal or any other mode, made or agreed to be made in the course or furtherance of business.

How are inward supplies reported in GST returns?

They are not reported directly by the recipient. The supplier’s invoice, uploaded in their GSTR-1, flows into the recipient’s GSTR-2A (dynamic) and the Invoice Management System, then into GSTR-2B (static, monthly). Only the total eligible input tax credit is declared in Table 4 of GSTR-3B.

How are outward supplies reported in GST returns?

Directly by the supplier - invoice-wise for B2B and B2C Large supplies, and as a consolidated figure for B2C Small supplies - across the relevant tables of GSTR-1, then summarised in GSTR-3B and reconciled annually in GSTR-9.

What is the current B2C Large threshold in GSTR-1?

Rs 1 lakh for an inter-State supply to an unregistered person, reduced from the earlier Rs 2.5 lakh threshold with effect from the August 2024 tax period.

What is the main difference between inward and outward supply?

An inward supply is initiated by the recipient (what the business receives, supported by a purchase invoice, feeding an ITC claim), while an outward supply is initiated by the supplier (what the business

supplies, supported by a sales invoice, creating an output tax liability).

Official sources

- CBIC Tax Information Portal – Section 2, CGST Act, 2017 (Definitions)
- GST Portal

Related reading

- GST Composition Scheme (2026): Turnover Limit, Rate, CMP-02 and Returns
- GST vs Income Tax (2026): Direct Tax vs Indirect Tax, Registration Thresholds and Return Filing Compared

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