

(6) In this section, "tax fraction", in relation to a taxable supply, means the fraction calculated in accordance with the following formula —

$$r/(100+r)$$

where r is the rate of VAT applicable to the supply as determined under subsection (3) of section 142.

168. Rights, options, and vouchers

(1) If a right or option is exercised, the consideration for the supply made on exercise of the right or option is limited to the additional consideration, if any, given for that supply or in connection with the exercise of the right or option.

(2) If a voucher is accepted, in part or in full, as payment for the making of a supply, the consideration for that supply is limited to the additional consideration, if any, given for the supply or in connection with acceptance of the voucher.

(3) Subsection (2) does not apply if the supply of the voucher was not a taxable supply.

169. Post-sale adjustments

(1) This section applies if—

- (a) a taxable supply is cancelled;
- (b) the nature of a taxable supply is fundamentally varied or altered;
- (c) the consideration for a taxable supply is altered; or
- (d) the goods or services (or part of the goods or services) that are the subject of a taxable supply are returned to the supplier.

(2) If this section applies and the VAT properly chargeable in respect of the supply exceeds the VAT actually accounted for by the registered person making the supply, the amount of the excess is treated as VAT payable by the registered person in respect of a taxable supply made by the person in the tax period in which the event referred to in subsection (1) occurred.

(3) If—

- (a) subsection (2) applies; and

- (b) the supplier has issued a debit note to the recipient of the supply in accordance with subsection (4) of section 182,

the recipient of the supply shall treat the additional VAT specified in the debit note as input tax payable by the recipient in the tax period in which the debit note is received.

(4) Subject to subsection (6), if this section applies and the VAT actually accounted for by the registered person making the supply exceeds the VAT properly chargeable in respect of the supply, the registered person shall be allowed an input tax credit for the amount of the excess in the tax period in which the event referred to in subsection (1) occurred.

(5) If—

- (a) subsection (4) applies; and
- (b) the supplier has issued a credit note to the recipient of the supply in accordance with subsection (3) of section 182,

the recipient shall treat the additional VAT specified in the credit note as VAT payable by the recipient in the tax period in which the credit note is received.

(6) If the recipient of a supply to which subsection (4) applies is unregistered, no credit is allowed until the registered person has repaid the excess VAT to the recipient of the supply, whether in cash or as a credit against any amount owing to the registered person by the recipient.

170. Cancelled transactions

(1) If a taxable supply is cancelled and part of the consideration previously paid is retained by the supplier, any adjustments allowed or required under section 169 because of the cancellation are reduced to take account of the amount retained.

(2) If a taxable supply is cancelled and the supplier recovers an amount from the recipient as a consequence of the cancellation, the amount recovered is treated as consideration received for a supply made in the tax period when the amount is recovered.

(3) Subsections (1) and (2) apply whether or not the cancellation has the effect that no supply is made, and any