

Assisted Instrument Purchase Scheme *(DfE updated guidance 12.03.21)*

Introduction

The supply of musical instruments is standard rated for VAT purposes. The Assisted Instrument Purchase Scheme (AIPS) enables pupils of local authority and academy schools to purchase musical instruments through their school net of VAT providing the sale to the pupil meets the criteria below. If the school sells the instrument to the pupil at a profit this is a standard-rated supply. The scheme is described below.

Legal Background

AIPS was not introduced by any legislation, but is considered as closely related to the supply of education, which for qualifying bodies is VAT exempt and other bodies standard rated. (See Schedule 9, Group 6 of the VAT Act 1994.) However, as local authority and academy schools deliver education as part of a special legal regime they are taken out of the scope of VAT by virtue of section 41A of the VAT Act, which transposes into UK law Article 13 of the Principal VAT Directive 2006. Therefore they are treated as non-business activities.

While normally non-business activities do not allow the taxpayer to reclaim VAT as it is not input tax as defined by section 24 of the VAT Act, local authority and academy schools are able to reclaim the VAT they incur making supplies subject to a special legal regime under section 33 (for local-authority schools) and section 33B (for academy schools). These rules enable the schools to reclaim the VAT on the purchase of musical instruments because they use them for the provision of education.

Rules and definitions for AIPS

For the purposes of AIPS the following definitions apply:

“State education” includes the following:

- Musical tuition at a local authority school;
- Musical tuition at an academy;
- Musical tuition in either a school orchestra or local authority orchestra; and
- Musical tuition in a local music hub.

“Musical Instruments” includes replacement parts.

For the purchase to qualify for the AIPS, the following criteria must be met:

- The instrument or item must be sold to the local authority or school and then supplied onto the pupil or their guardian;
- The pupil must be receiving state education;
- The instrument must be used as part of their musical tuition;
- The instrument must be appropriate to the pupil’s needs; and
- The price charged to the pupil for the purchase of the instrument must be at or below cost (please see [VATGPB7815](#) for a definition).

It is the wish of Claremont Primary School to open up this scheme to our families, allowing them the opportunity of supporting their children in the love of music.

With this in mind, we would like to make the following proposal for ratification and approval at the resources meeting:

- The scheme is publicised and made available to all families
- For the families to be eligible, all the criteria above must be proven to be met
- Claremont will only operate the scheme between 1st June to 31st Dec every year
- Applications for the scheme must be received in writing, for the attention of the School Business Manager, clearly detailing how the criteria have been met