

The Assisted Instrument Purchase Scheme (AIPS)

The Assisted Instrument Purchase Scheme enables pupils at Local Education Authority (LEA) schools to purchase instruments **free from VAT**. The scheme is intended to support the progress of a young player by providing greater access to quality instruments at a low cost. This procedure has the full approval of H.M. Customs & Excise. Bracknell Forest Borough Council supports and encourages schools to offer the scheme to pupils.

A Summary of the Rules

- The student must be in full-time education at a LEA School.
- The student must be receiving tuition at the school as part of their curriculum or privately in support of curricular activities (e.g. GCSE Music).
- The instrument must be appropriate to the students' needs and ability. (e.g. a novice player cannot acquire a Stradivarius violin!).
- The instrument must be portable and be used on a regular (at least weekly) basis.
- The instrument must be charged to the student/parents at or below the schools cost (excluding VAT).

How does the Scheme work?

1. The pupil/parent selects the instrument of their choice.
2. They place the order with the school and pay them the NON-VAT amount.
3. Parents are asked to sign a simple purchase agreement with the school before the instrument is ordered by the school. This would include such points as a description of the instrument and its cost (therefore binding the parents to buy before the order was placed), dealing with delivery/collection arrangements and the handling of guarantees (see below) as well as a description of the rules of purchase.
4. The school places an order for the required instrument with the retailer identified by pupil/parent.
5. The instrument is sent together with a VAT-INCLUDED invoice to the school.
6. The pupil collects their instrument from the school.
7. The school reclaims the VAT element in the usual way.
8. The school is encouraged to email details of the instrument and the age and gender of the pupil concerned to mary.sefton@bracknell-forest.gov.uk for monitoring purposes.

Some issues

- The school may feel that the saving on an instrument of low cost does not justify the administration involved. The school may wish to set a minimum value for the scheme to apply.
- If the school is to sell the instrument to the parents then the school will be responsible (under the Sale of Goods Act) for ensuring that the instrument ordered is fit for purpose, of suitable quality and with no defects when it arrives at the school. The school is not able to contract with the parents in this respect,

although the school may seek the advice of students/parents. The supplier will have similar responsibilities to the school.

- As the school is the initial purchaser it will have the benefit of any warranty/ guarantee. Therefore the school will either need to assign the benefit of this to the parents (so it will be necessary to check that the guarantee can be assigned with the manufacturer/supplier) or the school will need to process any claims on behalf of parents.
- Risk would normally transfer with the transfer of title in the instrument - normally when the price is paid or when the instrument is delivered. Some care will be needed as it is possible that, for example, the instrument could be damaged either in transit or on the school premises before the final transaction with the parents is made. The school's "Balance of Risks" property insurance covers such eventualities. This provides cover against damage or loss (including theft) subject to the normal £250 policy excess. Cover would only be operative during the period that the school is responsible for the instruments; i.e. from the delivery onto school premises until sale & collection by the pupil/ parent.

Further information on the VAT arrangement

- Education provided by local authorities is treated as a non-business activity and as such falls outside the scope of value added tax.
- The Assisted Instrument Purchase Scheme exists due to a special arrangement between Local Authority schools and HM Customs and Excise. Sales in classes of goods which are incidental to the provision of education, such as musical instruments, fall within the parameters of this arrangement. The scheme enables pupils at LEA schools who are receiving musical tuition at school to purchase instruments without paying VAT.
- Under the arrangement, following a request from a parent or guardian the instrument is obtained from a retailer in the normal way. However the purchase of it is in effect made by the school. This enables the school to recover the VAT element under section 33 of the VAT Act, 1994 and because resale to the pupil is a part of its non-business activity it is not required to charge VAT to pupils.
- The instrument must be handed over to the pupil in a teaching room at the school.
- All transactions made under this special arrangement are open to scrutiny by LEA or its auditors.

Graham Symonds
9/3/05

aips gov rules.doc