
IASB[®] meeting

Date	March 2025
Project	Post-implementation Review of IFRS 16 Leases
Topic	Cover note
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Purpose and structure of this paper

1. This cover note provides:
 - (a) an overview of the papers for this meeting (paragraphs 2–5);
 - (b) a summary of staff recommendations from all papers for the meeting (paragraphs 6–10); and
 - (c) an outline of next steps (paragraphs 11–12).

Papers for this meeting

2. The papers for this meeting analyse feedback on the requirements in IFRS 16 *Leases*, summarise findings from other research and provide staff recommendations for the International Accounting Standards Board (IASB) on which matters to include in a request for information (RFI) on the Post-implementation Review (PIR) of IFRS 16.
3. Agenda papers for this meeting include:
 - (a) Agenda Paper 7A *Background*—the purpose of this paper is to provide an overview of outreach activities and other research that IASB members and staff have undertaken to decide the scope of the PIR of IFRS 16. It includes

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- the project history, a summary of the discussions of the IFRS Interpretations Committee (Interpretations Committee) relating to IFRS 16, an overview of European enforcement decisions relating to IFRS 16 and an update on the Financial Accounting Standards Board (FASB)'s PIR of ASC Topic 842, Leases.
- (b) Agenda Paper 7B *Feedback analysis—Overall assessment of IFRS 16*—this paper analyses feedback on IFRS 16 as a whole, including the costs and benefits related to the implementation and application of the Standard.
 - (c) Agenda Paper 7C *Feedback analysis—Identifying a lease, lease term and the lessee accounting model*—this paper analyses feedback on the requirements in IFRS 16 for identifying a lease, lease term and the lessee accounting model.
 - (d) Agenda Paper 7D *Feedback analysis—Lessor accounting, sale and leaseback transactions and transition*—this paper analyses feedback on other requirements in IFRS 16, including the requirements for lessors, sale and leaseback transactions and transition.
 - (e) Agenda Paper 7E *Feedback analysis—Applying IFRS 16 with other IFRS Accounting Standards*—this paper analyses feedback on the application of IFRS 16 with other IFRS Accounting Standards, including IFRS 3 *Business Combinations*, IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 15 *Revenue from Contracts with Customers* and IAS 36 *Impairment of Assets*.
 - (f) Agenda Paper 7F *Review of academic literature*—this paper provides an overview of the academic literature relevant to the PIR of IFRS 16.
4. Agenda papers 7A and 7F are educational papers. We are not asking the IASB to make any decisions on these papers.
5. Agenda papers 7B–7E summarise outreach feedback. Each of these papers includes analysis of this feedback and staff recommendations on the matters to include in the RFI for public consultation. What specific questions we ask in the RFI will depend on

the nature of the matter and the type of feedback that we think would help the IASB to determine whether (or when) to take further actions. For each matter included in the RFI we plan to summarise the main requirements in IFRS 16 (or, where relevant, another IFRS Accounting Standard) and provide a brief summary of stakeholders' feedback to date. To elicit more focused feedback on application matters, in specific questions asking about these matters, we will include references to the prioritisation framework.

Summary of staff recommendations

6. The staff recommend the IASB include questions in the RFI about:
 - (a) stakeholders' overall views on IFRS 16 to assess whether:
 - (i) the Standard is meeting its objective and whether its core principles are clear;
 - (ii) the benefits to users of the information reported in accordance with the Standard and the costs of applying the requirements and auditing and enforcing their application are *not* significantly different than was expected, in particular, the ongoing costs; and
 - (iii) the IASB could make any improvements to the disclosure requirements in IFRS 16 that would help users of financial statements analyse and compare entities that apply IFRS 16 and entities that apply FASB ASC Topic 842, Leases;
 - (b) the lease term requirements to assess whether:
 - (i) they provide a clear and sufficient basis for entities to determine lease term and are capable of being applied consistently; and
 - (ii) the benefits to users of the information reported in accordance with these requirements are *not* significantly lower than was expected;

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- (c) the requirements for variable lease payments to assess whether they provide a clear and sufficient basis for lessees to determine which variable lease payments are (or are not) included in the measurement of the lease liability;
 - (d) the requirements for discount rates to assess whether:
 - (i) they provide a clear and sufficient basis for lessees to determine discount rate (incremental borrowing rate) and are capable of being applied consistently; and
 - (ii) the effects of applying these requirements are *not* significantly different than was expected;
 - (e) the ongoing costs of remeasuring lease liabilities (to reflect reassessments of lease liability or lease modifications) to assess whether they are *not* significantly higher than was expected;
 - (f) the benefits to users of the information about lease-related cash flows that lessees present in the statement of cash flows (or disclose in the notes to financial statements) to assess whether they are *not* significantly lower than was expected;¹
 - (g) whether stakeholders have identified potential unintended consequences (such as widespread diversity) that amendments to the lessee accounting model might have caused to the lessor accounting model (which has less detailed requirements or lacks specific requirements compared to the lessee accounting model); and
 - (h) stakeholders' experience relating to transition to assess:
 - (i) which transition requirements were helpful;
 - (ii) whether entities provided sufficient information to allow users of financial statements to understand how implementing IFRS 16 changed

¹ Feedback that the IASB will receive might also inform the IASB's thinking in its research project on the Statement of Cash Flows and Related Matters.

- the entities' financial performance, financial position and cash flows;
and
- (iii) whether entities have any feedback on transition to IFRS 16 that could inform the IASB's future standard-setting projects.
7. The staff recommend the IASB include questions in the RFI to assess whether any action is needed in relation to:
- (a) the requirements for acquired lease contracts in IFRS 3 *Business Combinations*, with the objective of improving the balance between the benefits of providing the required information and costs of providing that information.
 - (b) how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment (or a partial extinguishment) of a lease liability (to which IFRS 9 *Financial Instruments* applies) when it accounts for a rent concession in which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract.
 - (c) the requirements in IFRS 15 *Revenue from Contracts with Customers* which the seller-lessee applies when assessing whether the transfer of an asset in a sale and leaseback transaction is accounted for as a sale of that asset.
 - (d) the requirements in IFRS 16 about partial gain or loss recognition for sale and leaseback transactions, considering differences with the revenue recognition model in IFRS 15.
8. We recommend the IASB include a question in the RFI about relevant market developments since the February 2021 Interpretations Committee's deliberation of feedback on its tentative agenda decision relating to the application of IFRS 10 *Consolidated Financial Statements* alongside IFRS 16 to [sale and leaseback of an asset in a single-asset entity](#). The question will help the IASB assess whether the matter continues to have widespread effect and if so, what narrow-scope standard-setting solution would solve the matter efficiently.

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9. We recommend the IASB include *no* questions in the RFI about:
- (a) the requirements for identifying a lease;
 - (b) the lessee recognition requirements;
 - (c) the effects of the lack of specific requirements for lessees to account for non-cash consideration;
 - (d) the requirements for sale and leaseback transactions with variable lease payments (that do not depend on an index or a rate); and
 - (e) the application of IFRS 16 alongside other IFRS Accounting Standards.
10. In our view, the information we gathered and assessed in the first phase of the PIR is sufficient for the IASB to decide the scope of the review. On the basis of this evidence, we do not recommend asking in the RFI about matters other than those in paragraphs 6–8. However, the matters raised by stakeholders and aspects of IFRS 16 (for example, scope and identifying a lease) not covered by specific questions in the RFI will be covered by a general catch-all question. Where necessary, we will include information on what we heard about these matters and why the IASB decided not to ask a specific question in this section of the RFI.

Next steps

11. The IASB will be asked to approve the publication of, and set a comment period for, the RFI at a future meeting, after IASB members have reviewed a pre-publication draft.
12. The staff expect the RFI will be published by the end of June 2025.