

Post-implementation Review of IFRS 16 Leases (Agenda Paper 7)

The IASB met on 18 March 2025:

- to discuss feedback and other information gathered in the first phase of the Post-implementation Review (PIR) of IFRS 16 *Leases*;
- to discuss a review of academic literature relevant to the PIR; and
- to decide what questions should be included in a public consultation in the form of a request for information (RFI).

Feedback analysis—Overall assessment of IFRS 16 (Agenda Paper 7B)

The IASB tentatively decided to include questions in the RFI to assess whether:

- a. IFRS 16 is meeting its objective and whether its core principles are clear; and
- b. the benefits to users of the information reported in accordance with IFRS 16 and the costs—particularly ongoing costs—of applying the requirements, and auditing and enforcing their application, are not significantly different from what the IASB expected.

All 14 IASB members agreed with these decisions.

The IASB tentatively decided not to include a question in the RFI to assess whether the IASB could make any improvements to the requirements in IFRS 16 that would help users to compare entities that apply IFRS 16 with those that apply FASB ASC Topic 842, *Leases*.

Ten of 14 IASB members agreed with this decision.

Feedback analysis—Identifying a lease, lease term and the lessee accounting model (Agenda Paper 7C)

The IASB tentatively decided to include questions in the RFI to assess whether:

- a. the lease-term requirements provide a clear and sufficient basis for entities to determine a lease term and whether entities are able to apply the requirements consistently;
- b. the benefits to users of the information reported in accordance with the lease-term requirements are not significantly lower than the IASB expected;
- c. the requirements for variable lease payments provide a clear and sufficient basis for lessees to determine which variable lease payments are included in the measurement of the lease liability;
- d. the requirements for discount rates provide a clear and sufficient basis for lessees to determine a discount rate (usually an incremental borrowing rate), and whether entities are able to apply the requirements consistently;

- e. the effects of applying the discount-rate requirements are not significantly different from what the IASB expected;
- f. the ongoing costs of remeasuring lease liabilities (to reflect reassessments of lease liability or lease modifications) are not significantly higher than the IASB expected; and
- g. 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) are not significantly lower than the IASB expected.

The IASB tentatively decided not to include questions in the RFI about:

- a. the requirements for identifying a lease;
- b. the recognition requirements for lessees; and
- c. the effects of the lack of specific requirements for lessees to account for non-cash consideration.

Twelve of 14 IASB members agreed with these decisions.

Feedback analysis—Lessor accounting, sale and leaseback transactions and transition (Agenda Paper 7D)

The IASB tentatively decided not to ask stakeholders whether they have identified potential unintended consequences (such as widespread diversity in accounting practice) that the amendments to the lessee accounting model might have caused to the lessor accounting model. (Under IFRS 16, the lessor accounting model is subject to fewer or less detailed requirements compared to the lessee accounting model.)

Ten of 13 IASB members present agreed with this decision. One member was absent.

The IASB tentatively decided to include questions in the RFI to assess:

- a. which transition requirements were helpful to entities;
- b. whether entities provided sufficient information to allow users to understand how implementing IFRS 16 changed the entities' financial performance, financial position and cash flows; and
- c. whether entities have any feedback on the transition to IFRS 16 that could inform the IASB's future standard-setting projects.

The IASB tentatively decided not to include any questions in the RFI about the requirements for sale and leaseback transactions with variable lease payments that do not depend on an index or a rate.

All 13 IASB members present agreed with these decisions. One member was absent.

Feedback analysis—Applying IFRS 16 with other IFRS Accounting Standards (Agenda Paper 7E)

The IASB tentatively decided to ask stakeholders about applying IFRS 16 alongside IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

Specifically, the IASB tentatively decided to include questions in the RFI to assess whether any action is needed in relation to:

- a. 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 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;
- b. the requirements in IFRS 15 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; and
- c. the requirements in IFRS 16 about partial gain or loss recognition for sale and leaseback transactions, considering differences between these requirements and the revenue recognition model in IFRS 15.

The IASB tentatively decided not to include a question in the RFI about relevant market developments since February 2021 when the IFRS Interpretations Committee deliberated the feedback on its tentative agenda decision relating to the application of IFRS 10 *Consolidated Financial Statements* alongside IFRS 16 to the **sale and leaseback of an asset in a single-asset entity**.

The IASB tentatively decided not to include any questions in the RFI about the application of IFRS 16 alongside other IFRS Accounting Standards.

All 13 IASB members present agreed with these decisions. One member was absent.

Next steps

The IASB expects to approve the publication of the RFI and set a comment period. The IASB plans to publish the RFI in June 2025.