



Project:	Post-implementation review of AASB 16 Leases	Meeting:	AASB May 2026 (M220)
Topic:	Detailed summary of feedback received from roundtables and targeted outreach from not-for-profit and public sector stakeholders	Agenda Item:	5.1
		Date:	27 April 2026
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		Decision-Making:	Medium
		Project Status:	Detailed summary of feedback received from submissions, roundtables and targeted outreach

The objective of this paper

- 1 The objective of this staff paper is to provide a detailed summary of feedback received from not-for-profit (NFP) and public sector stakeholders in response to **Section 1 and Section 2** of ITC 55 *Post-implementation Review of AASB 16 Leases*.
- 2 This paper forms part of Step 11 of the post-implementation review (PIR) process, which involves considering feedback and evidence to determine the next steps for the PIR of AASB 16 *Leases*.
- 3 The Board is **not** asked to make any decisions at this meeting. Staff analysis of this feedback and recommendations for possible next steps will be presented at a future meeting.

Structure of this paper

- 4 This Staff Paper is set out as follows:
 - (a) Key summary (paragraph 5);
 - (b) Background to ITC 55 (paragraphs 6 to 11);
 - (c) Outreach activities (paragraphs 13 to 14);
 - (d) Feedback summary (paragraphs 15 to 156); and
 - (e) Next steps (paragraph 157).

Key summary

- 5 Table below provides the key summary of the overall feedback heard from the NFP and public sector stakeholders:

Key summary of feedback received

Overall, feedback from NFP and public sector stakeholders is largely consistent with feedback from the for-profit sector:

- (a) Most NFP and public sector stakeholders indicate that, while AASB 16 has improved transparency by bringing leases onto the balance sheet, its application has imposed significant and ongoing cost and complexity for these sectors.
- (b) Stakeholders consistently reported that AASB 16 is highly judgement-intensive, particularly in areas such as determining whether a lease exists, assessing lease terms (including extension and termination options), accounting for lease modifications and determining incremental borrowing rate. These judgement-based requirements may have resulted in inconsistent application in practice, increased audit effort and reliance on manual processes and spreadsheets, especially for smaller and less-resourced entities.
- (c) A recurring theme across topics was that the cost of compliance remains significantly higher than originally anticipated. Many stakeholders noted that system limitations, data quality issues, frequent remeasurements and ongoing staff turnover continue to drive compliance and audit costs. These burdens were reported to be disproportionately high for smaller NFPs, local governments and public sector entities.
- (d) Views on the usefulness of AASB 16 information for NFP and public sector users were mixed. While some stakeholders acknowledged improved transparency, many stakeholders questioned whether AASB 16 produces information that is decision-useful in public sector contexts, where users often focus on cash-based metrics, service delivery and budgetary outcomes.
- (e) Stakeholders also highlighted NFP and public sector specific challenges not fully addressed by current guidance, including concessionary leases, sale and leaseback transactions, and interactions with Government Finance Statistics (GFS).
- (f) Across most topics, stakeholders called for targeted simplifications and/or practical expedients (such as lease modification and discount rate requirements), guidance and illustrative examples to reduce unnecessary complexity.

Background

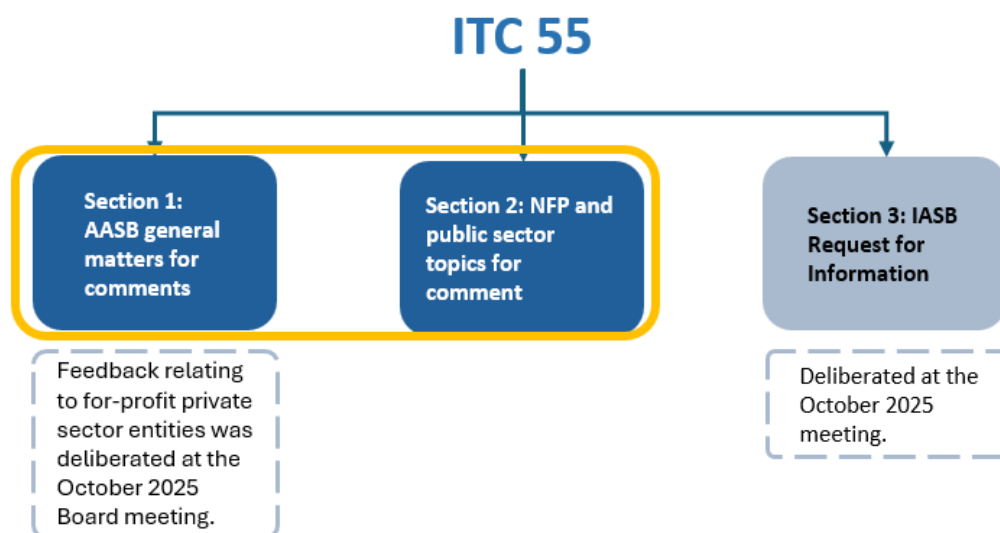
- 6 ITC 55 *Post-implementation Review of AASB 16 Leases* was issued in June 2025 to gather stakeholder feedback on whether the effects of applying the new requirements under AASB 16 are as intended.
- 7 The International Accounting Standards Board (IASB) issued its Request for Information (RFI) ([IASB Request for Information: Post-implementation Review IFRS 16 Leases](#)) as part of its post-implementation review (PIR) of IFRS 16 *Leases*. As AASB 16 applies across all sectors in

Australia, the AASB is also required to conduct a domestic PIR to gather views on the application of the Standard, including domestic issues affecting NFP and public sector entities.

- 8 Accordingly, ITC 55 incorporated the IASB's RFI to obtain feedback from IFRS-compliant for-profit entities (Section 3 of ITC 55), while additional AASB-specific questions were included to gather feedback on the NFP and public sector requirements in AASB 16 (Section 2 of ITC 55). This approach enabled the Board to consider feedback from for-profit entities and share that feedback directly with the IASB, while also obtaining feedback on the NFP and public sector-specific requirements in AASB 16. The ITC 55 comment period closed on 5 September 2025.
- 9 At the October 2025 meeting, the Board considered feedback received on ITC 55 relating to *for-profit* private sector entities ([Agenda paper 4.1](#)), along with the findings from the literature review ([Agenda paper 4.2](#)). Following this, the Board submitted its [comment letter](#) in response to the IASB's RFI for the PIR of IFRS 16.
- 10 In relation to the 'domestic' aspects of the PIR of AASB 16, ITC 55 included the following sections to receive stakeholder feedback relating to the NFP and public sectors:
 - (a) Section 1: AASB general matters for comment. This section includes three general questions relevant to all entities applying AASB 16:
 - (i) Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 16 *Leases*?
 - (ii) Does the application of the requirements in AASB 16 result in major auditing or assurance challenges?
 - (iii) Are the requirements in the best interest of the Australian economy?
 - (b) Section 2: NFP and public sector topics for comment. This section seeks feedback from NFP and public sector stakeholders on sector-specific application issues identified by the AASB during the planning phase of this PIR:
 - (i) Topic 1: Application of AASB 16 by NFP and public sector entities;
 - (ii) Topic 2: Determining the lease term;
 - (iii) Topic 3: Lease modifications;
 - (iv) Topic 4: Measurement of lease liabilities – determining on incremental borrowing rate;
 - (v) Topic 5: NFP public sector concessionary leases;
 - (vi) Topic 6: Sale and leaseback arrangements; and
 - (vii) Topic 7: Other matters.¹

¹ The Board deliberated the proposed topics in May 2025 meeting. See [Approved AASB Minutes M213, 1 May 2025 \(5/25\)](#) and [Agenda paper 6.1 M212 \(5/25\)](#)

- 11 It is important to note that ITC 55 does not address feedback relating to Tier 2 disclosure requirements. This is because the simplified disclosure requirements for Tier 2 entities under AASB 16 are considered separately in [ITC 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain for Profit Private Sector Entities and Further Update of Tier 2](#).
- 12 The figure below illustrates the structure of ITC 55. **As noted above, this agenda item addresses Section 1 and Section 2 only**, focusing on feedback related to the **NFP and public sector**. For-profit matters relating to Section 1 and Section 3 were deliberated at the October 2025 meeting.



Outreach activities

- 13 Eleven written submissions were received on ITC 55 (see supplementary folder for Agenda Paper 5.2):
- (a) Catholic Education;
 - (b) The Australasian Council of Auditors-General (ACAG);
 - (c) LGiQ;
 - (d) KPMG;
 - (e) Institute of Public Accountants (IPA);
 - (f) Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC);
 - (g) Australian Bureau of Statistics (ABS);
 - (h) The Property Council of Australia (PCA);
 - (i) Stevenson McGregor Rugers (SMR);
 - (j) CPA Australia; and

- (k) CAANZ.
- 14 To information the NFP and public sector PIR, staff conducted the following outreach activities to gather views from stakeholders:
- (a) 6 August 2025 – Disclosure Initiative Project Advisory Panel meeting (DIPAP). Six DIPAP members provided feedback to AASB staff on the PIR of AASB 16;
 - (b) Three virtual joint roundtables were held with CA ANZ, CPA Australia and the NZ External Reporting Board in August and September 2025. Stakeholders provided feedback to AASB staff on the PIR of AASB 16 (233 attendees);
 - (c) Other targeted meetings.

Feedback summary

- 15 This section provides a summary of feedback received in relation to NFP and public sector matters in Sections 1 and 2 of ITC 55.
- 16 In some cases, quantified terms (such as such as ‘a few’, ‘some’, ‘many’ and ‘most’) are used instead of absolute numbers describing stakeholder feedback. These terms are applied relative to the number of respondents who provided feedback on each topic, rather than the total number of submissions. Table 1 sets out the general approach used.

Table 1: Quantifier Usage Guide for Stakeholder References

Term	Indicative proportion	Example Usage
A few	Small minority (e.g. <25% of stakeholders who responded)	‘A few preparers commented ...’
Some or several	Minority (e.g. ~25 – 50% of stakeholders who responded)	‘Some stakeholders observed ...’
Many	Large minority (e.g. about 50% but not the majority view expressed consistently across stakeholders who responded)	‘Many stakeholders raised concerns ...’
Most	Majority (e.g. >50% of stakeholders who responded)	‘Most stakeholders support ...’
All	Every stakeholder who responded	‘All stakeholders agree ...’

Section 1 AASB General Matters for Comment

In addition to the specific matters for comment on each topic in Section 2 and Section 3, the AASB would also particularly value comments on the following:

1. Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 16 *Leases*?
2. Does the application of the requirements in AASB 16 result in major auditing or assurance challenges?
3. Are the requirements in the best interests of the Australian economy?

- 17 Section 1 of the ITC captures feedback from all sectors. For the purposes of this agenda paper, the discussion below focuses on feedback from the *NFP* and *public sectors* only. Some respondents also provided comments that extend beyond the scope of the questions in Section 1 and relate more directly to the detailed topics discussed in Section 2. For example, some stakeholders raised broader observations regarding the cost–benefit balance of AASB 16 and potential areas for simplification. These matters are addressed in the relevant topics in Section 2.
- 18 Of the 11 comment letters received, six provided feedback on Topic 1 (ACAG, CA ANZ, CPA Australia, HoTARAC, IPA and SMR). The analysis in this section is based on feedback from respondents who explicitly addressed the questions in Section 1 of ITC 55 in their submissions, together with relevant comments obtained through other outreach activities, including roundtables.

Regulatory or Other Issues Affecting Application of AASB 16

- 19 Overall, most respondents **did not identify significant regulatory issues that adversely affect the application of AASB 16**. For example, ACAG, IPA and SMR explicitly noted that they were not aware of any (ongoing) regulatory issues that impact adversely on the application of AASB 16. A few respondents raised the following matters:
 - (a) *Differences with GFS*. ACAG and HoTARAC note that AASB 16 creates convergence differences with GFS. ACAG noted that GFS continues to distinguish between operating and finance leases and does not recognise operating leases in the Statement of Financial Position. Similarly, HoTARAC noted that GFS remains aligned to the concepts of operating and finance leases in AASB 117 *Leases*. This issue is discussed further in paragraph 109.
 - (b) *Initial transition impacts on metrics and regulatory measures*. SMR noted that, as a result of the introduction of AASB 16, the recognition of leases on the balance sheet and the shift from a single operating lease expense to a combination of depreciation and interest altered the classification of lease-related amounts within the financial statements. As many internal metrics, budgeting processes and regulatory measures were historically based on the distinction between operating and financing activities, this change affected how those measures were calculated and interpreted. SMR noted that these matters are largely settled in the private sector.
 - (c) *Uncertainty remains in distinguishing lease modifications from new leases*. CA ANZ provided feedback on an emerging practice extending lease terms that has created uncertainty about whether such changes constitute lease modifications or new leases under AASB 16, which is discussed further under Section 2 Topic 3: Lease Modifications.

Major Audit and Assurance Challenges

- 20 Overall, there were *mixed* views, with some respondents not identifying significant audit or assurance challenges, while others highlighted areas of complexity, particularly in the public sector. Several respondents did not provide comments on audit and assurance challenges in response to this question, including CA ANZ, CPA Australia and HoTARAC.
- 21 The specific audit and assurance challenges identified by stakeholders include:

- (a) *Completeness, accuracy and documentation of lease information.* ACAG noted that auditors faced challenges in verifying the accuracy and completeness of lease calculations where entities:
- (i) struggled to identify contracts that may contain leases;
 - (ii) were parties to arrangements that were undocumented;
 - (iii) did not formally document, approve, or maintain key accounting judgements and assessments for individual lease contracts, including decisions about whether a contract contains a lease and whether an asset should be recognised as a right-of-use (ROU) asset or as property, plant and equipment;
 - (iv) relied on incomplete or inaccurate centrally held lease data (for example, information on future market rent reviews, fixed rate increases and lease incentives), which resulted in material adjustments to lease calculations; and
 - (v) did not have sufficient information from lessors (for example, in relation to non-lease components).

ACAG also noted that, in some cases, long-term arrangements (such as the use of land between government entities without formal documentation) created uncertainty about whether the arrangement should be accounted for as a lease and, if so, how it should be measured.

- (b) *Incorrect or inconsistent application of requirements.* ACAG noted that some entities applied AASB 16 incorrectly, including omission of lease payments (such as fixed rent or market rent review increases), incorrect application of lease incentives and non-lease components, and inconsistent application of impairment requirements for ROU assets measured at cost.
- (c) *Judgement, complexity and understanding of the Standard.* ACAG noted that AASB 16 is inherently difficult to audit due to the extensive judgement required, including determining whether a lease exists, assessing enforceability (particularly for intra-government arrangements), and determining lease terms (for example, whether it is reasonably certain that a lease will be extended). ACAG also noted that certain elements of the Standard are not well understood by public sector entities. CA ANZ similarly noted that the complexity of the Standard increases audit effort, particularly in judgement-intensive areas.
- (d) *Lease modifications and subsequent measurement.* ACAG noted that the main audit challenge for subsequent measurement of leases relates to the accounting for lease modifications, and that these requirements are not well understood or consistently applied by public sector entities.
- (e) *Greater audit challenges for smaller and less-resourced entities.* IPA noted that smaller and NFP entities are more likely to face audit and assurance challenges in applying AASB 16. In particular, IPA observed that these entities may have difficulty evidencing that the data used for lease accounting, and the IT systems used to capture that data and perform lease calculations, are accurate and consistent. IPA also noted that larger and better-resourced entities are generally better able to apply the requirements of AASB 16 and address the resulting audit and assurance challenges.

- (f) *Audit risks arising from reliance on systems and documentation.* SMR provided feedback that whilst they have not observed major audit or assurance challenges overall, there are certain areas of complexity in applying the Standard can create risks if audit teams do not fully understand the requirements. In particular, the complexity of lease calculations can lead to overreliance on system outputs, as the calculations are difficult to replicate, and the ability to test portfolio-level decisions depends heavily on the quality and completeness of documentation explaining how the requirements have been applied.

In the Best Interests of the Australian Economy

22 Overall, views were *mixed* on whether AASB 16 is in the best interests of the Australian economy:

- (a) *Enhances transparency and decision usefulness.* IPA is of the view that, overall, AASB 16 improves financial reporting by requiring lessees to recognise all leases on the balance sheet and subsequently account for them through the statement of profit or loss and the balance sheet. IPA noted that this reflects the substance of a lease as a financial obligation associated with the underlying asset and related liabilities. IPA also noted that this information is useful to users in assessing an entity's assets and liabilities and how management finances and manages those assets in delivering the entity's objectives, and that the Standard increases the transparency and quality of financial information on leases.
- (b) *Improved transparency, lease management and consistency across standards.* SMR noted that, while not all user groups utilise the enhanced information about leases, there are benefits from recognising lease contracts on the balance sheet and enhancing disclosures about material lease arrangements. SMR also noted that capturing lease information in systems can assist management in more effectively managing the contractual requirements of lease arrangements, despite the inherent complexity of the associated calculations. In addition, SMR noted that, for public sector entities, AASB 16 results in a more consistent presentation with AASB 1059 *Service Concession Arrangements*, with control through ownership, regulation and ROU assets presented on the balance sheet in a reasonably consistent manner.
- (c) *Cost-benefit concerns.* CPA Australia noted that it received less positive views on the impact of AASB 16 from NFP private sector and public sector stakeholders. CPA Australia also noted that stakeholders raised concerns about the usefulness of the information from AASB 16 compared with the costs associated with compliance. CPA Australia further noted that some significant concerns have been raised by NFP private and public sector stakeholders about the adverse cost–benefit balance of the Standard, with recommendations ranging from withdrawal of the Standard to significant simplifications to areas such as lease term, discount rate, lease definition and lease modification. Given these views, CPA Australia noted that it is difficult to form a view on whether the requirements are in the best interests of the Australian economy. CPA Australia also acknowledged that the AASB adopts a transaction-neutral approach to standard-setting and noted that, in the absence of a suitable alternative, consideration may be given to significant simplifications to address the concerns raised by NFP private and public sector stakeholders.

Section 2 NFP and Public Sector Topics for Comment

Topic 1: Application of AASB 16 by NFP and public sector entities

1. In respect of NFP and public sector entities:
 - (a) are the ongoing costs of applying AASB 16 and auditing and regulating its application significantly greater than expected?
 - (b) are the benefits to users significantly lower than expected?
 - (c) overall, do you have any comments about whether AASB 16 results in financial statements that are more useful than financial statements prepared under the previous Standard AASB 117 *Leases*?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

- 23 Of the 11 comment letters received, ten provided feedback on this topic: ABS, ACAG, CA ANZ, Catholic Education, CPA Australia, HoTARAC, IPA, KPMG, PCA and SMR. Feedback was also provided by roundtable attendees and members of the AASB's DIPAP.

Ongoing Costs

- 24 Almost all respondents reported that **the ongoing cost of applying AASB 16 is significantly higher than anticipated**. Feedback consistently indicated that the Standard is judgement-intensive, administratively burdensome and reliant on manual work due to persistent system and data limitations. Respondents highlighted that challenges initially expected to diminish after implementation have, in practice, persisted.
- 25 Respondents including ACAG, CPA Australia, IPA, KPMG, HoTARAC and SMR considered AASB 16 highly judgement-intensive, with several components remaining particularly complex. These include determining lease terms, identifying embedded leases and distinguishing lease modifications from reassessments. These areas require extensive professional judgement and remain sources of inconsistency and audit challenges. This is also a significant driver of compliance costs. Roundtable attendees and DIPAP members also confirmed that misinterpretation and inconsistent application of the requirements are common, noting that these issues frequently result in audit adjustments, the use of external consultants and restatement of prior-year balances. SMR further noted that leases are often “non-standard and inherently complex”, with judgement that is “not easy to capture sufficiently in a system”, and that application frequently requires input from property, asset management and treasury functions beyond the finance team.
- 26 The burden is disproportionately heavy for smaller NFPs and local government entities. Respondents including CA ANZ, CPA Australia, IPA and HoTARAC and LGiQ reported that these entities often lack access to specialised lease-accounting systems and rely on manual processes and spreadsheets. Roundtable attendees noted that limited technical expertise makes application more challenging. Staff turnover further compounds the problem, increasing training costs and reducing continuity of expertise. IPA noted ongoing costs have stabilised and are lower than implementation costs. However, NFP and smaller entities are still, in their view, disproportionately affected by the ongoing costs of complying with AASB 16.
- 27 Similarly, CPA Australia emphasised that smaller entities often lack the required technical expertise, and that systems and processes for collecting lease data have not matured as expected. Initial implementation was hindered by poor-quality information, especially for

smaller leases managed outside finance teams, and many agencies are still relying on manual workarounds due to system and funding limitations. CA ANZ and CPA Australia reported that these implementation challenges have not subsided, noting continued reliance on spreadsheets across many sectors. For example, CPA Australia observed that the education sector required bespoke tools and extensive training to support application of AASB 16 across approximately 1,500 schools. As a result, the anticipated improvements in governance and visibility have not been fully realised, and data quality remains a major barrier to effective application.

- 28 A few respondents highlighted increased audit and operational costs arising from the Standard's complexity. ACAG noted that the cost of auditing lessee operating leases under AASB 16 is higher than under AASB 117 due to the Standard's more complex requirements. CA ANZ and HoTARAC provided similar feedback. ACAG noted some specific areas leading to increased audit costs such as the remeasurement of lease liabilities for indexation or changes in lease terms, accounting for lease modifications using revised discount rates, and impairment assessments for right-of-use (ROU) assets. HoTARAC also highlighted additional costs associated with CPI-driven remeasurements, impairment reviews, budgeting and forecasting impacts, subleasing assessments, and the need for additional staffing resources. Intra-sector leases further create consolidation challenges, with different parties sometimes recording the same arrangement differently (e.g. one entity recognising property, plant and equipment and another recognising a ROU asset).
- 29 Respondents including ABS, ACAG and HoTARAC observed that divergence between AASB 16 and GFS requirements continues to require additional data collection and reconciliation effort, as GFS maintains a distinction between operating and finance leases. ACAG further noted that one ACAG Office supports using the revaluation model and fair value for ROU assets from non-concessionary leases to satisfy the market value requirement in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This view differs from AASB staff's view (as outlined in Agenda paper 14.1 M172), which states that fair value would not resolve GFS–AASB framework divergence, leading the jurisdiction to call for clarification.
- 30 CPA Australia added that inter-agency and government-to-government arrangements remain complex due to informal documentation, unclear enforceability and duplicated recognition by multiple parties. CPA Australia further noted that local councils frequently devote considerable effort to assessing embedded leases, such as waste management or service contracts, which often do not result in recognised leases, leading to inefficiency. CPA Australia also highlighted that materiality remains a challenge for public sector NFPs, as the low-value and short-term lease exemptions provide little practical relief. In practice, entities must apply full lease accounting to numerous immaterial leases, creating avoidable administrative burden, while most lease value is concentrated in a small number of major contracts. CPA Australia recommended introducing clearer principles to exclude genuinely immaterial leases, while ensuring that material assets such as land remain appropriately recognised, and noted that additional compliance costs borne by NFP public sector entities ultimately fall on taxpayers.

Usefulness to Users

- 31 Overall, while a small number of stakeholders considered that recognising lease liabilities improves transparency and reflects binding commitments, most respondents questioned whether AASB 16 produces information that is decision-useful in a public sector context. In particular, respondents noted that AASB 16 information often does not align with how public sector entities are funded, managed or assessed, and can obscure actual spending patterns and makes financial statements harder to interpret.

- 32 Most respondents questioned the usefulness of AASB 16 information for NFP and public sector users. Respondents including ACAG, CAANZ, CPA Australia, KPMG and HoTARAC observed that recording operating leases on the balance sheet does not reflect public sector financing reality, and that lease accounting concepts such as debt financing and discount rates have more relevance in for-profit private sector. KPMG noted that, for some entities, AASB 16 information is prepared solely for compliance purposes, raising questions about the information's practical usefulness. Further, HoTARAC noted that the information provided by AASB 16 may not be that useful because of the dynamics of the public sector, including centralised funding arrangements and a user focus on service delivery rather than lease financing. Further, most respondents concluded that AASB 16 has not resulted in more useful financial statements for NFP and public sector entities compared with AASB 117.
- 33 Some respondents, however, expressed a different view. SMR considered that presenting lease liabilities is equally important for NFP and public sector entities, as leases represent binding commitments. IPA is of the view that AASB 16 results in more useful financial statements, therefor the costs of compliance are justified.
- 34 Respondents noted several reasons why AASB 16 outcomes have limited relevance for users, particularly in the local government and broader public sector context:
- (a) ACAG and roundtable attendees reported that users struggle to interpret ROU assets and principal-interest splits. CPA Australia provided similar feedback noting that in the local government some senior management have difficulties interpreting the presentation of lease cash flows as they find it confusing and require additional explanation which increases compliance costs.
 - (b) CPA Australia also noted that operating expenditure is the primary metric used for budgeting and decision-making, and AASB 16 obscures this information. CPA Australia further observed that many entities exclude or adjust AASB 16 information in internal reporting due to limited usefulness. PCA reported that the effects of AASB 16 are often reversed in shareholder communications to present cash-based performance, and KPMG reported similar feedback also.
 - (c) CPA Australia noted that some council representatives consider that AASB 16 misrepresents the economic reality of long-term property leases, distorting financial performance and potentially influencing decisions about rate-setting and perceived financial sustainability. LGiQ noted that councillors and other users rely primarily on cash lease payments for budgeting and rate-setting. AASB 16's front-loaded expense profile and lease-liability presentation can distort perceptions of debt and sustainability. Many councils regard AASB 16 entries as year-end compliance adjustments rather than decision-useful information. Roundtable attendees noted that AASB 16 impacts financial ratios, as the lease liability becomes part of the net financial liabilities ratio, meaning ratios are no longer comparable. CPA Australia also provided feedback that most NFP and public sector leases are office accommodation and community facilities, where recognising a ROU asset and a lease liability is seen as a disconnect from operational realities, especially where the leases are large and obscure the entity's underlying financial position.
 - (d) CPA Australia noted that the existing low-value and short-term exemptions are too limited and that clearer materiality principles are needed to avoid accounting for minor leases that have little relevance to users. Catholic Education provided similar feedback

regarding administrative effort for low-value items such as printers, which have an immaterial effect on their balance sheet.

- 35 Some limited benefits were acknowledged:
- (a) ACAG, CPA Australia and HoTARAC agreed that AASB 16 has improved transparency. However, they found no evidence that public sector decision-makers rely on the information compared with AASB 117.
 - (b) SMR considered that AASB 16 benefits are broadly consistent with expectations but noted that profit or loss information from interest and depreciation may be less relevant in the NFP context. They suggested future improvements could be made under IFRS 18 *Presentation and Disclosure in Financial Statements*.
- 36 CPA Australia identified further reasons why AASB 16 information lacks relevance, for example:
- (a) in some states office accommodation is centrally managed and agencies can be moved between locations at the discretion of the central body, which gives rise to substitution rights. Because of this, the arrangements do not meet the definition of leases, so the rationale for recognising ROU assets and lease liabilities is redundant and unhelpful to financial statement users. Another example is garbage truck and substitution rights (i.e. using Truck X on a different route) noting that there are some differences in how arrangements are drafted and how they are accounted for giving rise to differences in application.
 - (b) recognising office accommodation on departmental/agency balance sheets provides little value where assets are already captured in whole of government financial statements.

Overall Cost–Benefit Considerations

- 37 Overall, respondents expressed **strong concerns that the costs of applying AASB 16 outweigh the benefits for NFP and public sector entities**. Stakeholders questioned whether the information produced is sufficiently material or relied upon by users, noting that lease amounts are often small relative to overall financial position and are frequently adjusted or excluded for internal reporting. Respondents also highlighted that the changes introduced by AASB 16 were not user-driven and that, in the absence of clear evidence of decision-usefulness, further consideration should be given to simplifying the requirements and better aligning them with NFP and public sector contexts.
- 38 CPA Australia considered that the costs of AASB 16 outweigh the benefits in the NFP and public sectors. Feedback from the credit union sector highlighted that lease liabilities are typically immaterial (often less than 1% of equity), yet the standard requires disproportionate effort. These entities continue to base decisions on cash flow expenses, reflecting the limited decision-usefulness of AASB 16 outcomes. Local government respondents expressed similar views.
- 39 ACAG noted that public sector users did not specifically request the changes to lease accounting introduced by AASB 16 and that benefits remain unclear. ACAG recommended that the AASB consult both preparers and users to determine whether the recognised information is relied upon for decision-making purposes.

- 40 In response to these concerns, CPA Australia recommends the AASB establish a dedicated project to explore simplifications to the lease accounting requirements for NFP private and public sector entities and consider Tier 2 entities as part of the PIR of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and NFP Tier 2 Entities*. CA ANZ and PCA also support targeted simplifications such as practical expedients, materiality thresholds, clearer guidance tailored to NFP and public sector environments and tools to support consistent classification. ACAG noted that the existing low-value and short-term exceptions have been effective in managing some compliance costs; however, entities often struggle with the requirements of AASB 16, particularly lease modifications, leading to increased audit costs.

Lessor Feedback

- 41 In addition to the lessee-focused feedback summarised above, PCA (representing lessors and property owners) raised concerns about the **significant compliance burden created by AASB 16 from a lessor perspective**, with limited incremental benefit to users. PCA highlighted that the volume of leases and the interaction between AASB 16 and AASB 15 *Revenue from Contracts with Customers* impose substantial administrative costs, and questioned whether the increased granularity required is justified by the usefulness of the resulting information.
- 42 PCA noted that there are approximately 10,000 new leases entered into each year, representing a significant compliance burden for affected entities. Whilst acknowledging that AASB 16 broadly meets its objectives, PCA observed that some aspects of AASB 16 are burdensome, especially the interaction between AASB 16 and AASB 15. This includes the requirement to split lease income and trade receivables between lease components and outgoings or other contract-based revenue.
- 43 PCA noted that these allocations are often arbitrary, do not reflect how commercial property arrangements operate in practice and provide little meaningful information to users, who focus on total lease revenue rather than income disaggregated across multiple standards. PCA advised that this requirement has imposed a substantial administrative burden on lessors, requiring detailed apportionment for thousands of leases each year and diverting finance and operational resources away from core activities and strategic management.
- 44 PCA also observed that, in practice, entities often reverse AASB 16 outcomes in investor and shareholder communications to present results based on cash lease receipts, which users consider to be a more relevant measure of performance. They therefore consider that the current requirements impose regulatory costs without corresponding benefits. While these concerns are distinct from the lessee challenges discussed earlier, PCA noted that they raise broader questions about whether the cost of providing increased granularity under AASB 16 and AASB 15 is justified by the incremental usefulness of the resulting information.
- 45 To reduce unnecessary compliance burden while retaining Australia’s overall alignment with IFRS, PCA supported simplifying the lessor requirements. In particular, PCA recommend allowing outgoings and other incidental income to be treated as variable lease income, which they consider would decrease reporting complexity and administrative effort for lessors.

Topic 2: Determining the Lease Term

Regarding determining the lease term, do you have any comments about:

2. the application of the requirements in practice by NFP and public sector entities?
3. whether differences in application exist in practice in the NFP and public sector?

4. whether the current requirements and guidance in AASB 16 for determining the lease term are sufficient for NFP and public sector entities?

If so, please provide your views on those requirements, relevant circumstances and their significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

- 46 Of the 11 comment letters received, eight provided feedback on this topic: ACAG, CA ANZ, CPA Australia, HoTARAC, IPA, KPMG, LGiQ and SMR, supported by comments from roundtable attendees and DIPAP members.

Judgement and Inconsistent Application Across Entities

- 47 Overall, respondents highlighted that the application of AASB 16, particularly in relation to determining lease terms and whether a lease exists, requires significant judgement, which has resulted in **inconsistent application across entities**. Many respondents noted that these challenges are amplified for NFPs and smaller public sector entities that are resource-constrained and rely on manual processes. As a result, respondents observed divergent outcomes, increased use of effort and resources, and the need for additional clarification during audit processes, and suggested that additional guidance and clearer application support would be beneficial.
- 48 Most respondents that provided feedback on this topic noted that determining the lease term is complex and requires significant judgement (CA ANZ, CPA Australia, HoTARAC, IPA, and KPMG). Given that NFPs and smaller entities are often resource-constrained, making the necessary judgements to apply the requirements can be challenging. IPA noted that additional guidance would assist entities in applying the lease term requirements more consistently.
- 49 Some respondents, including CPA Australia, HoTARAC and LGiQ highlighted significant inconsistency in how entities interpret and apply lease term requirements. A key example raised was divergent approaches to assessing whether renewal or extension options are reasonably certain to be exercised. Some entities include all possible extensions, inflating liabilities, while others include only non-cancellable periods. LGiQ provided similar feedback about local governments taking divergent approaches to extension options, with some including all possible extensions and others including none, producing inconsistent outcomes.
- 50 Respondents attributed these inconsistencies to several factors, including varying interpretations of enforceability across jurisdictions and agencies, particularly where arrangements are informal or rolling, and inconsistent judgement due to turnover in finance staff and limited internal policy guidance. Many entities also rely heavily on manual processes because accounting systems are not sufficiently robust to support consistent application of judgement-based requirements.
- 51 CPA Australia noted that for entities with large lease portfolios, including an agency with over 1,000 leases, it is sometimes necessary to perform case by case assessments of individual leases due to system limitations, the need for professional judgement and complexity contributing to inconsistent outcomes and a significant use of effort and resources. DIPAP members and roundtable attendees confirmed frequent audit findings related to undocumented or inconsistent lease term assessments. Roundtable feedback indicated that long term informal occupation of government owned land was particularly prone to differing interpretations.

- 52 Respondents also highlighted the role of system limitations and resource constraints. CPA Australia noted heavy reliance on spreadsheets and case by case assessments due to system limitations and lack of automation. IPA observed that smaller NFP and SME entities have fewer resources and less experience, making judgement-based assessments more challenging. These constraints, combined with large lease volumes, increase error risk and contribute to divergent outcomes.
- 53 ACAG provided an example of one of the practical challenges faced in the public sector for determining whether a lease exists. One of the criteria is whether the lessee receives the substantial economic benefits. In the public sector, for leases between departments and agencies, as both entered into the arrangements with the aim of providing services to the public it is difficult to assess who received substantially all of the benefits. For example, in social housing, so both parties enter into these arrangements with the aim of providing social housing. It is difficult to assess which party receives substantially all the benefits from the arrangement.

Informal, Undocumented or Open-ended Arrangements

- 54 Respondents highlighted that **informal, undocumented or rolling arrangements are widespread in the public sector**, particularly in relation to government-controlled land and buildings. These arrangements create significant practical challenges in applying AASB 16, particularly in determining the lease term, as they often lack formal contracts, have expired agreements that continue in practice, permit ongoing occupation without clear termination rights, or involve nominal, below-market or no consideration. As a result, entities are required to exercise significant judgement in assessing the enforceability of rights and obligations and in determining the appropriate lease term, and how the requirements of AASB 16 should be applied to such arrangements.
- 55 ACAG, CA ANZ and HoTARAC reported that these types of arrangements are common across jurisdictions. They noted that arrangements may be informal or undocumented, rolled forward for the foreseeable future, or structured in a way that provides continued occupation without clear termination penalties, increasing uncertainty in assessing enforceability and lease terms.
- 56 ACAG provided an example involving land leases that are either conducted without formal documentation or are rolled forward for the foreseeable future. The issues arising in practice are whether these arrangements are a lease, and if so, what is the lease term, or whether the land should be recognised as property, plant and equipment by the lessee. If the arrangement is a lease, determining the lease term is further complicated by non-financial considerations, such as disruption to public services if the arrangement is terminated and whether the penalty is insignificant.
- 57 LGiQ similarly noted that councils face added complexity where long-standing arrangements were never structured as leases, requiring significant judgement to determine enforceable period and lease term.

Insignificant Penalty

- 58 Respondents identified significant challenges in applying the guidance in AASB 16.B34², particularly in determining the enforceable period and assessing whether termination penalties are insignificant. These issues require extensive judgement and have resulted in **inconsistent interpretations across entities and jurisdictions**, especially in the public sector where non-financial considerations such as service delivery and policy outcomes are often relevant. Respondents noted that the existing guidance, including IFRIC agenda decisions, does not always translate well to public sector arrangements.
- 59 ACAG, HoTARAC and KPMG identified extensive challenges applying AASB 16.B34, particularly in interpreting:
- (a) what constitutes an enforceable period;
 - (b) whether penalties for early termination are insignificant; and
 - (c) how to assess non-financial consequences.
- 60 ACAG noted inconsistent interpretations across jurisdictions regarding what an insignificant penalty is. They noted that some jurisdictions view penalties narrowly as contractual payments, while others assess broader economic effects.
- 61 ACAG provided an example in the social housing sector where an arrangement includes the option to terminate the agreement at market value, that is to repay the initial grant received plus the fair value increase in the property. In this example, determining whether repaying grant funding is considered an insignificant penalty is critical because if it is, the lease term would be nil as the lease could be cancelled at any time.
- 62 Both ACAG and HoTARAC requested additional guidance to clarify what constitutes an insignificant penalty in public sector context, noting that IFRIC decisions were developed with private sector economics in mind and may not fully reflect public sector considerations such as service disruption or policy outcomes. That is, financial penalties may be small, but significant non-financial consequences may exist if a lease is terminated. KPMG similarly observed that insignificant penalties often involve non-monetary factors and require significant judgement.

Extension and Termination Options

- 63 Respondents consistently identified extension and termination options as a significant area of judgement under AASB 16. In particular, **determining whether options are reasonably certain to be exercised is often complex in NFP and public sector contexts**, where decisions may be influenced by political, operational or policy factors that are outside the control of preparers. Respondents noted that these complexities contribute to divergent outcomes and requested additional guidance to support more consistent application.
- 64 ACAG and HoTARAC noted that determining whether extensions are reasonably certain can be particularly challenging where outcomes depend on external decisions, such as changes in

2 “B34 In determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall apply the definition of a contract and determine the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.”

government priorities, administrative restructures or policy directions. Both respondents requested guidance on how to interpret reasonably certain in the NFP public sector context.

- 65 Respondents provided several examples illustrating these complexities in practice. HoTARAC noted that where entities have multiple lease extension options, the certainty of those extensions may be unclear due to frequent changes in the Government's operational requirements (e.g. administrative restructures).
- 66 HoTARAC also observed that long-term leases, particularly those with multiple extension options or terms of up to 40 years, require significant judgement at lease commencement when assessing the likelihood that extension options will be exercised.
- 67 ACAG and HoTARAC further noted that sublease arrangements add complexity, as entities must consider not only their own intentions but also the intentions of **sub-lessees** when assessing lease term.
- 68 With regards to reassessing lease terms after a lease has commenced, ACAG and HoTARAC noted that AASB 16.20³ restricts reassessment of lease term to circumstances to changes that are within the lessee's control noting that this can be difficult to apply in settings where decisions are externally directed.

Sufficiency of Current Guidance

- 69 Respondents expressed mixed views on whether the current guidance in AASB 16 is sufficient to address the types of leasing arrangements commonly found in the NFP and public sector. Some stakeholders considered that **the absence of public-sector-specific guidance increases complexity and the risk of divergent application**, while others noted that, although highly judgemental, the requirements generally operate as intended and are often supplemented by internal policies and practices.
- 70 CPA provided feedback that public sector stakeholders consistently felt that the current guidance in AASB 16 is insufficient to deal with the types of arrangements that are common in the public sector. They noted that the need to distinguish between breaking a lease and exercising an extension, which relies on requirements from different standards (e.g., AASB 15, AASB 9 *Financial Instruments*) and International Financial Reporting Interpretations Committee (IFRIC) agenda decisions, that adds to the complexity and increases the risk of inconsistent application. In CPA's view more practical examples and clearer wording would be helpful for NFP and public sector entities.
- 71 Conversely HoTARAC and SMR considered that AASB 16 requirements have generally worked well despite the high levels of judgement required. SMR also noted that agencies often supplement the Standard with internal policies and practice notes to support consistent application.

3 "20 A lessee shall reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- (a) is within the control of the lessee; and
- (b) affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term (as described in paragraph B41)."

- 72 SMR further noted that, in their view, guidance is generally sufficient to cover most issues that arise in practice. Further, in their experience, the challenges generally relate to defining the relationship between public sector participants rather than the requirements of AASB 16. They provided an example of leased commercial office space in the State Government sector. In many states, there is a central coordinating agency that enters a head lease with a non-government entity. There are differing commercial arrangements that may apply, such as sub-leasing or an agency-type relationship. This has led to three different accounting treatments for similar arrangements, and whilst there could be genuine economic reasons for these differences, there are also differences in application.
- 73 HoTARAC nevertheless noted that some additional public sector examples, particularly in the context of reasonably certain, would be helpful. An example they provided was a scenario where Agency A enters a 20-year lease with an option to extend for a further 5 years with an external party. Agency A then subleases to Agency B. In this situation, not only is the term of the lease longer, which makes applying judgment as to whether the option will be exercised difficult, but consideration also needs to be given to the other entities and their demand for the leased asset at that point in time.

Topic 3: Lease Modifications

- Regarding the accounting for lease modifications, do you have any comments about:
5. the application of the requirements in practice by NFP and public sector entities?
 6. whether differences in application exist in practice in the NFP and public sector?
 7. whether the current requirements and guidance in AASB 16 for lease modification are sufficient for NFP and public sector entities?

If so, please provide your views on those requirements, relevant circumstances and their significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

- 74 Of the 11 comment letters received, seven provided feedback on this topic: ACAG, CA ANZ, CPA Australia, HoTARAC, IPA, KPMG and SMR, with additional perspectives from roundtable attendees and DIPAP members.

Application in Practice

- 75 Respondents highlighted that the day-to-day application of the lease modification requirements in AASB 16 is particularly complex in the NFP and public sectors. Stakeholders identified recurring **difficulties in distinguishing modifications from reassessments, applying the requirements consistently across common public sector arrangements, and managing the operational burden created by frequent remeasurements**. These challenges are exacerbated by system limitations, reliance on manual processes and high volumes of leases, resulting in increased cost and inconsistent application.
- 76 Respondents identified distinguishing lease modification from reassessment as a key area of difficulty. ACAG, CA ANZ and CPA Australia reported that preparers frequently struggle to determine whether a change represents a lease modification or an extension of an existing lease, especially where arrangements are informal or rolling and changes occur by conduct rather than contractual amendments.
- 77 Respondents also noted the incorrect application of the modification requirements in practice. ACAG and CPA Australia noted recurring misapplications involving master or umbrella

agreements, which are common in the public sector, for example, under public-private partnership arrangements, where additions should be treated as new leases rather than modifications of existing ROU assets and liabilities, as they sometimes are. Another example relates to intra-government continuous supply arrangements (i.e. arrangements where assets are planned to be upgraded or updated in future years), where incorrect accounting also occurs. ACAG and CPA Australia requested additional guidance on these types of arrangements.

- 78 CPA Australia also observed confusion when rental payments change under variable lease terms, leading some entities to incorrectly apply modification accounting instead of the remeasurement provisions required by the Standard.
- 79 Challenges were also identified in assessing whether a modification should be accounted for as a separate lease and whether it has commercial substance. KPMG reported challenges in applying the separate-lease criteria in AASB 16.44⁴ and AASB16.45⁵, particularly in NFP settings where contractual economics are not always clear. Determining whether an increase in scope is matched by a commensurate increase in consideration can be difficult in practice.
- 80 Respondents highlighted the recurring operational burden associated with lease modifications and remeasurements. CPA Australia observed significant workload associated with annual CPI-related remeasurements, noting that many entities perform these tasks manually or rely on outsourced solutions, increasing cost and reducing consistency. CPA Australia suggested that providing a practical expedient that allowed forecast indexation to be incorporated upfront, with remeasurement only where outcomes differ materially, may alleviate some of this burden. CPA Australia observed that the COVID-19 rent concession expedient demonstrated how targeted relief can support practicality without compromising transparency. Whilst IPA sees merit in retaining modification accounting, they do support simplified accounting to support preparers with applying AASB 16.
- 81 IPA noted that some SMEs and NFPs avoid modification accounting altogether by ending existing leases and entering new leases for revised terms due to limited system capability, meaning data is captured in spreadsheets with manual reconciliations.
- 82 Scope changes and partial terminations were also identified as a further area of complexity, with CPA Australia noting challenges in remeasuring lease liabilities, adjusting ROU assets and recognising gains or losses arising from partial derecognition.

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- 4 “44 A lessee shall account for a lease modification as a separate lease if both:
- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
 - (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.”
- 5 “For a lease modification that is not accounted for as a separate lease, at the *effective date of the lease modification* a lessee shall:
- (a) allocate the consideration in the modified contract applying paragraphs 13–16;
 - (b) determine the lease term of the modified lease applying paragraphs 18–19; and
 - (c) remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee’s incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.”

- 83 Finally, CA ANZ and CPA Australia noted that reliance on manual spreadsheets, differing calculation methods and high staff turnover can heighten differences in application and reduce consistency across entities when applying lease modification requirements.

Differences in Application

- 84 Some respondents highlighted that **differences in application continue to arise** even where fact patterns are similar, with entities at times reaching different conclusions about the appropriate accounting treatment. Respondents noted that these differences most commonly arise in areas requiring judgement, such as distinguishing lease modifications from new leases, accounting for variable lease payments and determining the correct treatment of adjustments. While several stakeholders observed such differences in practice, others did not consider them to be widespread.
- 85 ACAG noted that some agencies account for 'new' contracts for the same asset as separate leases rather than lease modifications (i.e. extension of lease term). ACAG noted that often the new agreement is signed for an existing asset before the end of the original lease term. At the balance sheet date, the key question is whether the new contract should be treated as a modification of the existing lease, with the ROU asset and lease liability updated, or recognised as a new, separate lease. This issue frequently highlights whether the original lease term was determined appropriately, including consideration of the nature of the asset, the entity's reliance on the asset, and application of AASB 16.B34.
- 86 ACAG and CPA Australia also observed that accounting for changes in rental payments under variable payment requirements can vary. It was noted that sometimes agencies interpret the lease modification provisions (including the use of an updated discount rate) to apply, without recognising that the variable lease payments should be accounted for under the remeasurement provisions of AASB 16.
- 87 ACAG further noted that when accounting for adjustments arising from lease modifications, some agencies are recognising the adjustments in the profit or loss rather than adjusting the ROU asset when required by the Standard.
- 88 CA ANZ noted a practice of extended lease terms by amending the termination date and payment terms of a lease, rather than issuing a new lease. This approach create uncertainty about whether such changes constitute lease modifications or new leases under AASB 16. CA ANZ recommend the AASB investigate this matter further and consider providing more specific tailored guidance.
- 89 Conversely, SMR and HoTARAC did not observe significant differences in application in practice.

Sufficiency of Current Requirements and Guidance

- 90 Respondents provided mixed views on whether the existing AASB 16 requirements and guidance for lease modifications are sufficient for NFP and public sector entities. While some found the requirements workable, many considered that **additional clarity and examples would significantly support consistency**.
- 91 CA ANZ and CPA Australia consider the current guidance inadequate, particularly in distinguishing between lease modifications and reassessments. CA ANZ called for explicit

criteria, decision-trees or illustrative examples to assist entities in applying the requirements more consistently.

- 92 Whilst HoTARAC did not note any significant differences in application, they did agree that additional application guidance could be beneficial.
- 93 ACAG and CPA Australia suggested that public sector-specific case studies covering master/umbrella agreements, continuous-supply arrangements, car parks and other scenarios listed in paragraph 77 above.
- 94 CPA Australia also suggested simplification of the modification terminology and the current terminology adds to the burden on preparers.

Topic 4: Measurement of Lease Liabilities – Incremental Borrowing Rate

Regarding the measurement of lease liabilities and determining an incremental borrowing rate, do you have any comments about:

8. the application of the requirements in practice by NFP private sector entities, including how these entities are currently determining the incremental borrowing rate in practice?
9. whether differences in application exist in practice in the NFP private sector?
10. whether the current requirements and guidance in AASB 16 for the measurement of lease liabilities are sufficient for NFP private sector entities?

If so, please provide your views on those requirements, relevant circumstances and their significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

- 95 Of the 11 comment letters received, five provided feedback on the determination of the incremental borrowing rate (IBR): CA ANZ, CPA Australia, IPA, LGiQ and SMR. Additional insights were provided by roundtable attendees and DIPAP members.

Application in Practice

- 96 Respondents who provided feedback on this topic noted that **determining an IBR is challenging for NFP and public sector entities** because many of these entities do not borrow, do not operate in commercial markets and have limited access to the inputs needed to determine an appropriate discount rate.
- 97 CPA Australia shared that many stakeholders consider the IBR requirements too complex and not fit-for-purpose for NFP private and public sector entities. They provided feedback suggesting that simplifications are needed such as providing standardised discount rates, practical expedients or even exemptions from IBR requirements for the public sector. CPA Australia also noted that for public sector agencies calculating the IBR adds little value for decision making since many agencies do not borrow to buy and future cash flow concepts tied to IBR are not relevant in their context.
- 98 CPA Australia also noted that, in practice entities almost always default to the IBR because information to calculate the implicit rate such as fair values of underlying assets or residual values are not available. Further, because many agencies do not have their own borrowing rate, they typically substitute proxies such as government financing rates, which are accessible,

but are not necessarily reflective of the entity's risk portfolio. CA ANZ provided similar feedback.

- 99 IPA noted that NFP entities often have fewer resources and less expertise to fully understand and apply the lease accounting requirements, including determining the IBR. Because of these constraints, variation in how NFP private-sector entities interpret and apply the IBR requirements is likely.
- 100 SMR noted that even in the for-profit sector, developing an IBR can be difficult when an entity has no borrowing history, so it is reasonable to expect this challenge would be similar in the NFP sector.
- 101 CA ANZ noted that the interest rate implicit in the lease is rarely available or determinable, so entities default to the IBR. However, as many entities don't have access to market-based information, it can be difficult to determine realistic IBRs.
- 102 LGiQ reported that the interest rate implicit in the lease is rarely determinable in council contracts and that deriving an IBR is judgement-intensive due to limited external borrowing benchmarks. Staff confusion and manual modelling increase the risk of error and audit findings.

Differences in Application

- 103 As noted above, differences in application are expected given the judgement required to determine an IBR.
- 104 CPA Australia noted that there are **widespread inconsistencies in how entities determine the IBR**. Some misapply prescribed parameters, while others use bespoke models that produce varying results. In consolidated groups, subsidiaries without credit ratings often have to derive their own rates, which can be unrealistic. CPA Australia suggested introducing a practical expedient allowing subsidiaries to use the group's rate to improve consistency and reduce unnecessary effort.

Sufficiency of Requirements and Guidance

- 105 It was generally noted that **existing AASB 16 guidance is not sufficient for NFP and public sector** contexts, particularly where entities lack borrowing history or operate under centralised financing structures. Although the principles in AASB 16 are clear, respondents noted that practical application is highly judgement-based and insufficiently supported by examples or practical expedients.
- 106 In addition to the practical expedient suggested by CPA Australia above, IPA notes that applying the IBR requirements is complex, and NFP entities are often less well resourced, so specific guidance about determining the IBR is needed. CA ANZ also suggested clearer guidance tailored to NFP and public sector entities is needed.

Topic 5: NFP Public Sector Concessionary Leases

Regarding NFP public sector concessionary leases, do you have any comments about:

11. whether there are any reasons to remove the current accounting policy choice to measure initially concessionary ROU assets at either cost or fair value?

12. whether the temporary accounting policy choice for NFP public sector entities should be made permanent?
13. whether the disclosures prepared in accordance with paragraphs Aus59.1 and Aus59.2 of AASB 16 are sufficient in providing useful information to financial statement users regarding concessionary leases when the ROU assets are measured at cost?

If so, please provide your views on those requirements, relevant circumstances and their significance. Examples to illustrate your responses are also most helpful. .

107 Of the 11 comment letters received, seven provided feedback on concessionary leases: ABS, ACAG, CA ANZ, CPA Australia, HoTARAC, KPMG and SMR, with additional observations from roundtable attendees and DIPAP members.

Accounting Policy Choice

108 Respondents expressed divergent views on the appropriate accounting policy for measuring concessionary ROU assets in the NFP public sector. While a majority supported **making the existing policy choice between cost and fair value permanent**, citing flexibility and practicality, others opposed retaining the cost option, some did not agree.

109 Respondents including the majority of ACAG jurisdictions, CA ANZ, CPA Australia, HoTARAC, KPMG and SMR strongly supported making the current accounting policy choice permanent, enabling NFP public sector entities to measure concessionary ROU assets at cost or fair value. They noted that flexibility is essential given the unique nature of concessionary lease arrangements. KPMG also observed that uncertainty remains because the AASB has not expressly confirmed that the policy choice is permanent for the public sector, although this has been clarified for NFP private sector entities.

110 However, ABS opposed retaining the cost-model option, preferring fair value to maintain alignment with GFS principles. Under GFS principles all assets and liabilities should ideally be measured at their current market value. As this can sometimes be challenging to obtain, ABS has accepted an equivalent, which to date has been fair value. If NFP public sector entities continue to be permitted to use the cost method, this means the resulting data will not be consistent with GFS. One ACAG jurisdiction also supports fair value measurement only on conceptual grounds, observing that:

- (a) Fair value is conceptually about current cost accounting, and this information supports fee setting and reflects the current cost of service delivery.
- (b) Knowing the value of resources received by public sector entities is essential for informed decision-making by governments, Parliament, agencies, and the community, consistent with AASB 1058 *Income of Not-for-Profit Entities* requirements for assets provided free of charge.
- (c) There is no justification for treating concessionary leases differently from other 'benefits' such as volunteer services and complex intangible assets that are transferred and whose fair value may be difficult to determine.
- (d) If fair value is not required, anomalies may arise, such as when a lessor derecognises an asset under a concessionary finance sublease while the lessee records only nominal consideration. This results in the asset's fair value not being shown in the financial statements, reducing the usefulness of the information.

- (e) The cost versus benefits argument may not be justifiable as there are other non-financial physical assets that may be equally as complex to fair value that are not exempt from the requirement. The more significant challenge is capability, as some preparers mistakenly attempt to value the underlying asset rather than the ROU asset. Standard-setters need to provide clearer guidance to address this.
- (f) Offering a permanent option to avoid fair value for concessionary leases would be inconsistent with the International Public Sector Accounting Standards Board's (IPSASB) approach.

Retaining the Cost Option

- 111 SMR stated that although fair value can provide relevant information, it is often very difficult for specialised public assets with no market rentals for comparison. They emphasised that fair value should remain an available option but not be mandated.
- 112 HoTARAC similarly supported retaining the cost model, noting that fair value measurement for concessionary leases is costly, complex and frequently requires external valuers, while disclosures under the cost model have proven sufficient. They also consider the costs of fair value outweigh any potential benefits for financial statement users.
- 113 CPA Australia provided examples such as perpetual land leases or in-substance land grants, noting that sometimes they are carried at cost, particularly where there are ongoing obligations to maintain the land, and at other times they are carried at fair value. The option to use cost avoids unnecessary complexities such as valuing assets with no active market, variable or contingent rentals or early termination provisions.
- 114 CPA Australia also noted that in the public sector, many entities rely on the cost model rather than fair value because, unlike the private sector, market-based valuations may not be as meaningful. Differences in this regard are less about inconsistency and more about the flexibility needed to address the unique nature of concessionary leases in the NFP public sector. CPA Australia also highlighted that making fair value mandatory would impose high costs, require specialised valuation expertise and add unnecessary administrative burden with little benefits to users. Measuring the fair value of concessionary leases was also noted as a concern.
- 115 CA ANZ noted that determining control and whether a sale has occurred can be particularly challenging for concessionary arrangements involving repurchase rights or nominal consideration and suggested clearer guidance to support consistent interpretation.
- 116 ACAG notes that the accounting policy choice allows central regulatory bodies to decide whether they too permit agencies to make a choice or they mandate a measurement basis. Generally, treasuries have mandated cost on initial recognition and subsequent measurement. This choice means NFP public sector entities can avoid the complexities of fair value measurement of concessionary leases include identifying market participants, how much they are willing to pay, considering specialised assets and those with restrictions and dealing with variable and contingent rentals, early termination provisions etc. ACAG further noted that they consider the IPSASB's current proposals on concessionary leases insufficient and that the concessionary lease component of the Leases project does not adequately resolve the concerns they previously raised with the IPSASB.

Other Feedback

- 117 CA ANZ noted that determining whether control has transferred and a genuine sale has occurred is especially difficult in these sectors when repurchase rights exist or when transaction costs are minimal and that more explicit guidance is needed to support consistent interpretation.
- 118 SMR also noted that while it is valid to require that any 'grant' component of a below-market lease be accounted for, in practice, it can be difficult to separate the grant portion from other elements of the arrangement. For example, if a below-market lease enables a NFP to deliver services that also help the lessor achieve its objectives, the transaction involves more than just a grant. This overlap in purpose complicates how the lease should be assessed and accounted for, with SMR suggesting this 'coincidence' should not always be recognised as revenue.

Disclosures

- 119 Overall, respondents generally agreed that the disclosure requirements for concessionary leases measured at cost are adequate and continue to meet user information needs.

For example, ACAG, HoTARAC and SMR agreed the disclosures required by AASB 16.Aus59.1⁶ and AASB 16.Aus59.2⁷ provide sufficient information to users when concessionary leases are measured at cost. Preparers have not raised concerns about the adequacy of these disclosures since their introduction in 2019.

Topic 6: Sale and Leaseback Arrangements

Regarding sale and leaseback arrangements, do you have any comments about:

14. the application of the requirements in practice by public sector entities?
15. whether differences in application exist in practice in the public sector?
16. whether the current requirements and guidance in AASB 16 for sale and leaseback arrangements are sufficient for public sector entities?

- 6 "Aus59.1 In addition to the disclosures required in paragraphs 53–59, where a lessee is a not-for-profit entity and elects to measure a class or classes of right-of-use assets at initial recognition at cost in accordance with paragraphs 23–25 for leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives, the lessee shall disclose additional qualitative and quantitative information about those leases necessary to meet the disclosure objective in paragraph 51. This additional information shall include, but is not limited to, information that helps users of financial statements to assess:
- (a) the entity's dependence on leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives; and
 - (b) the nature and terms of the leases, including:
 - (i) the lease payments;
 - (ii) the lease term;
 - (iii) a description of the underlying assets; and
 - (iv) restrictions on the use of the underlying assets specific to the entity."
- 7 "Aus59.2 The disclosures provided by a not-for-profit entity in accordance with paragraph Aus59.1 shall be provided individually for each material lease that has significantly below-market terms and conditions principally to enable the entity to further its objectives or in aggregate for leases involving right-of-use assets of a similar nature. An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics."

If so, please provide your views on those requirements, relevant circumstances and their significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

- 120 Of the 11 comment letters received, four provided feedback on Topic 6 (ACAG, CA ANZ, CPA and HoTARAC). This feedback was also supported by feedback from roundtable attendees and DIPAP members.

Application in Practice

- 121 Respondents reported that **sale and leaseback (SLB) arrangements in the NFP public sector are becoming increasingly complex**, reflecting the use of alternative financing structures, non-commercial terms and informal arrangements. Many respondents considered that these features make it difficult to determine whether a genuine sale has occurred and how the leaseback should be accounted for. While some stakeholders considered the existing requirements broadly workable, many noted that additional clarification and public-sector-specific guidance would support more consistent application.
- 122 CPA Australia noted that this complexity is driven by governments using alternative financing structures. CPA Australia also observed that some SLBs often involve service components or embedded leases, making it difficult to determine whether a genuine sale has occurred and how the leaseback should be accounted for.
- 123 CA ANZ similarly reported that SLBs are prevalent in the NFP and public sector but are difficult to account for due to nominal values, inter-agency arrangements, cost-sharing structures and informal agreements. Roundtable attendees provided consistent feedback that many SLBs do not resemble commercial transactions.
- 124 CPA Australia highlighted additional challenges with failed SLB arrangements, including difficulty separating the financial liability from the underlying asset, situations such as changes in useful life, asset replacement or lease terms extending beyond the assets useful life create uncertainty about whether reassessment is required and how to measure or derecognise the liability. CPA Australia considered current guidance insufficient and noted that preparers would benefit from further clarification and public-sector-specific examples.
- 125 CPA Australia also noted that arrangements with termination rights that can be exercised by either the lessee or lessor raise similar questions about accounting for failed sales, when they should be reclassified as a true sale and the related accounting. CPA Australia considers that the existing guidance is insufficient suggesting that further clarification and illustrative examples are needed to promote consistent application.
- 126 ACAG reported that one jurisdiction encountered a rent-free leaseback arrangement bundled into one or more contracts that include a sale price. It was unclear whether any portion of the proceeds should be treated as lease payments or how to differentiate the components of the sale price. AASB 16.101⁸ is also unclear whether it applies to the seller-lessee or buyer-lessor or both. The lack of clarity resulted in differing interpretations between the agency and its auditors. The

8 "101 If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, an entity shall make the following adjustments to measure the sale proceeds at fair value:

- (a) any below-market terms shall be accounted for as a prepayment of lease payments; and
- (b) any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee."

ACAG jurisdiction considers that additional guidance is needed for arrangements with nil or nominal leaseback consideration, as the current guidance is insufficient. Whilst noting limited experience with SLB, ACAG is not aware of any differences in application.

- 127 CA ANZ noted that assessing control and determining whether a sale has occurred is difficult when repurchase rights exist or costs are only nominal. They consider that more detailed guidance is needed to ensure consistent interpretation. CA ANZ also noted that preparers would benefit from practical support, such as illustrative examples and decision trees, to help determine whether a sale has occurred, whether a change is a modification or reassessment, and whether informal arrangements are enforceable.
- 128 In contrast, HoTARAC has not experienced any major challenges. However, they observed that IFRS 16's Basis for Conclusions suggests that most SLB transactions should qualify as sales. However, AASB 16 requires SLBs to be treated as financing arrangements where control does not transfer. HoTARAC considered that clearer guidance and illustrative examples would be helpful to identify the features that prevent sale accounting. Otherwise HoTARAC considers the current requirements to be sufficient.

Interaction Between AASB 16 and AASB 15

- 129 Respondents consistently identified that the interaction between AASB 16 and AASB 15 can be complex in accounting for SLB arrangements in the NFP public sector. In particular, **determining whether a sale has occurred under AASB 15 was viewed as highly judgemental in non-commercial or policy-driven transactions**, where indicators of control transfer are often unclear or mixed. Respondents considered that additional public-sector-specific clarification would support more consistent application.
- 130 Respondents including ACAG, CA ANZ, CPA Australia and roundtable attendees agreed that applying the AASB 15 sale criteria is one of the most challenging aspects of SLB accounting in the public sector. This difficulty is heightened in non-commercial or policy-driven transactions where the indicators of control transfer are unclear or mixed.
- 131 ACAG noted that applying AASB 15 can be problematic when arrangements lack commercial substance or when substantive rights remain with government, preventing the buyer-lessor from obtaining control. These circumstances make it difficult to determine whether a sale has occurred under AASB 15 and, by extension, how to apply AASB 16.
- 132 CA ANZ observed that determining whether control transfers in arrangements involving Crown land, restrictive land interests or assets subject to policy-driven reversions requires additional public-sector-specific clarification, as such assets often retain constraints that do not exist in private-sector environments.

Recommendations and Suggested Improvements

- 133 Respondents recommended several targeted improvements to support more consistent and practical application of SLB guidance in the public sector. The recommendations focused on addressing judgement-intensive areas, clarifying the interaction with AASB 15, and providing practical support to better reflect the substance of public-sector arrangements.
- 134 Respondents including ACAG, CA ANZ and roundtable attendees recommended developing illustrative examples covering public-sector scenarios such as nominal-consideration SLBs,

transfers between government entities, Crown and restricted land, repurchase rights and partial give-ups.

- 135 ACAG, CA ANZ and CPA Australia also called for clearer guidance on determining whether a sale has occurred and how to apply AASB 15 criteria to administrative or policy-driven transactions, where indicators of control transfer are often unclear.
- 136 CPA Australia suggested simplifying gain or loss calculations in SLB arrangements, particularly where determining the retained portion of an asset is difficult.
- 137 Respondents including ACAG and roundtable attendees recommended clarification of when arrangements represent transfers rather than sales, particularly where they reflect accommodation reallocations or centralised property decisions.
- 138 Finally, ACAG and CA ANZ suggested providing guidance to distinguish genuine SLB arrangements from those that merely resemble them in form but not substance.

Topic 7: Other matters

17. Are there any other NFP and public sector matters that should be brought to the attention of the AASB as it undertakes a PIR of AASB 16?

If so, please provide your views on those matters, relevant circumstances and their significance, and areas where you believe changes or additional guidance are needed. Examples to illustrate your responses are also most helpful.

- 139 Of the 11 comment letters received, five (ACAG, CPA Australia, HoTARAC, PCA and SMR) raised additional issues not addressed in earlier topics, with additional perspectives from roundtable attendees.
- 140 Respondents identified several additional matters that fall outside earlier topics but are relevant to the AASB's post-implementation review. These matters primarily relate to lessor accounting challenges, uncertainty created by removed or modified concepts in AASB 16, difficulties distinguishing between similar accounting models, and emerging interactions with sustainability reporting. Respondents generally considered that clearer guidance and illustrative examples would help address these issues and reduce inconsistent application.

Lessor Accounting Challenges

Non-cash consideration

- 141 ACAG observed that AASB 16 does not clearly state whether lease payments should include non-cash consideration, unlike AASB 15 and AASB 1058, which require non-cash consideration to be measured at fair value. In the NFP public sector, non-cash contributions such as works-in-kind often form part of long-term land lease arrangements, creating several challenges:
 - (a) determining whether the non-cash consideration relates to the right to use an underlying asset or represents a separate developer contribution (e.g. upgrading infrastructure within or outside the lease boundary); and

- (b) deciding whether this non-cash consideration should be treated as a fixed payment included in the gross investment in a finance lease, which requires estimating its value at inception and later adjusting for differences ('true-ups') or alternatively, whether it should be treated as a variable lease payment and excluded from the gross investment because it does not depend on an index or rate.

Given this, ACAG recommends the AASB provide additional guidance for both lessors and lessees on accounting for non-cash consideration at initial recognition and in measuring lease liabilities and lease payments included in the net investment in the lease under AASB 16.27⁹ AASB 16.70¹⁰.

Variable lease payments in a finance lease

142 AASB 16 provides requirements for lessees on how to remeasure lease liabilities when variable payments change due to movements in an index or rate, but it does not address how lessors should account for these variable lease payments in subsequent years when the cash flows change due to variations in an index or rate. Although lessor accounting largely carried over from AASB 117, the removal of concepts such as minimum lease payments and contingent rent has created uncertainty. It is now unclear whether lessors should:

- (a) remeasure lease income when cash flows change (similar to the lessee approach);
- (b) recognise the additional income only when it arises (as contingent rent was under AASB 117); or
- (c) treat variable payments as an embedded derivative.

9 "27 At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) *fixed payments* (including in-substance fixed payments as described in paragraph B42), less any lease incentives receivable;
- (b) *variable lease payments* that depend on an index or a rate, initially measured using the index or rate as at the commencement date (as described in paragraph 28);
- (c) amounts expected to be payable by the lessee under *residual value guarantees*;
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering the factors described in paragraphs B37–B40); and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease."

10 "70 At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- (a) fixed payments (including in-substance fixed payments as described in paragraph B42), less any lease incentives payable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option (assessed considering the factors described in paragraph B37); and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease."

- 143 ACAG has seen this applied differently in practice and consider additional guidance is necessary to clarify the appropriate accounting treatment.

Development Arrangements and Lease Commencement

- 144 ACAG highlighted uncertainty determining the lease commencement date for development-phase arrangements, such as long-term land leases where the lessee accesses the site during construction under early access or licence arrangements with a formal lease not issued until development is complete. Respondents recommended additional guidance and examples may help in determining when lease commencement has occurred.

Perpetual Leases and In Substance Purchases

- 145 ACAG and CPA Australia noted challenges in determining whether perpetual land leases, reserves, or in-substance land grants should be accounted for under AASB 16 or AASB 116 *Property, Plant and Equipment*.
- 146 ACAG observed that some land arrangements, such as Deeds of Grant in Trust (DOGIT) and reserve land, may be legally structured as leases but are, in substance, economically like freehold ownership. This can create uncertainty about whether the land should be accounted for under AASB 116 or AASB 16. The challenges arise from technical differences between freehold and leasehold land, even when the leasehold arrangements effectively operate like freehold except for valuation differences tied to their legal form.
- 147 These arrangements are commonly measured subsequent to initial recognition under AASB 116, using the available valuation options, while initial measurement follows AASB 16's choices such as fair value or nominal (peppercorn) amounts. CPA Australia considers that clearer guidance would help avoid inconsistent treatment of these arrangements. ACAG also notes that the IASB chose not to issue guidance on how to distinguish a lease from a sale or purchase of an asset.

Stakeholder Needs and Future Direction

- 148 CPA Australia provided feedback questioning whether current public sector financial reporting is appropriately focused, suggesting that reporting should shift more toward service performance information rather than balance-sheet-driven measures. It was also noted that placing greater emphasis on disclosing future commitments, instead of relying on theoretical cash-flow modelling, could provide more relevant and meaningful insights for users.

Impairment of Right of Use Assets

- 149 HoTARAC observed that applying impairment requirements to ROU assets can be challenging in the public sector. For example, changes in interest rates may constitute an impairment trigger under accounting standards but may not reduce the asset's recoverable amount in substance.

150 AASB 16.42¹¹ can create timing mismatches where an ROU asset is impaired in one period, but the corresponding lease liability cannot be adjusted until a market rent review occurs, creating volatility, because paragraph 42 states that a lessee shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

Distinguishing Leases from Service Concession Arrangements

151 SMR Stakeholders noted an ongoing challenge in the public sector regarding the overlap between AASB 1059 and AASB 16. Although AASB 1059 provides useful guidance and examples to distinguish different types of private-sector participation arrangements, it can still be difficult in practice to determine which standard applies. This often requires assessing which components of a commercial arrangement relate to the delivery of public services and which party is responsible for managing those services.

152 While shorter contracts (around 8–15 years) may appear more like leases and longer arrangements (20–30 years) more like service concession arrangements, contract length is not determinative under the standards. Stakeholders suggested that the Board should review specific arrangement types, such as bus service contracts, to assess whether current accounting outcomes are appropriate.

153 They also observed that, although AASB 1059 and AASB 16 have some measurement differences, both standards should broadly produce similar accounting results where the public sector controls the underlying asset. In such cases, significant effort is often spent determining which standard to apply, even when the resulting measurement differences may be immaterial.

Sustainability Reporting and Embedded Fit Outs

154 PCA raised concerns about the interaction between AASB 16 and sustainability reporting standards, particularly the GHG Protocol. PCA noted that for operating leases, embedded or landlord-funded fit-outs may fall within the lessor's emissions boundary even when the tenant controls the energy use.

155 PCA explained that these boundary interpretations lead to significant complexity such as:

- (a) landlord-funded fit-outs powering tenant-controlled equipment;
- (b) electricity consumption funded by tenants but attributed to lessors; and
- (c) jointly funded fit-outs where responsibility for emissions is unclear.

11 "42 A lessee shall remeasure the lease liability by discounting the revised lease payments, if either:

- (a) there is a change in the amounts expected to be payable under a residual value guarantee. A lessee shall determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The lessee shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (ie when the adjustment to the lease payments takes effect). A lessee shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments."

156 PCA stated that these issues create material compliance burden, inconsistent audit outcomes and uncertainty about classification. PCA requested clearer guidance on fit-out treatment under both IFRS 16 and sustainability reporting standards.

Next steps

157 The following table contains the proposed timeline for the remainder of the PIR of AASB 16:

Proposed timeline	Project milestones and staff comments
	Planning phase
Q1-Q2 2025 (Completed)	Steps 1, 2: Review of original project documentation and collation of identified issues. Step 3: Academic research – collate and summarise. Step 4: Seek preliminary feedback from targeted stakeholders Step 5: Prioritise issues from the planning phase to determine scope of the consultation process.
Board meeting: May 2025 (Completed)	Steps 6: Discuss steps 1–5 with the Board before developing the consultation document. Step 8: Discuss proposed Australian-specific content of the consultation document with the Board and approve for issue.
	Outreach phase
Q2 2025 (Completed)	Step 7: Draft consultation document (i.e. Invitation to Comment). The ITC was issued in June 2025.
Q3 2025 (Completed)	Step 9: Undertake general and targeted outreach to seek stakeholder feedback on the consultation document. ¹²
	Feedback and next steps
Q2 2026 (This meeting and next meeting)	Step 10: Consultation comment period closed on 5 September 2025. Step 11: Review and summarise responses received on the consultation document and through outreach. Perform follow-up procedures where appropriate. ¹³ Step 12: Identify possible ‘next steps’ to respond to findings. Step 13: Discuss feedback and possible next steps with the Board.

12 As part of the outreach activities, staff collected feedback about the experiences of private sector for-profit, NFP and public stakeholders.

13 Staff presented to the Board at the AASB October 2025 meeting feedback relevant to the IASB—that is, feedback from private-sector for-profit stakeholders and other stakeholders who responded directly to the IASB or to the questions in the IASB’s RFI. Feedback specific to NFP and public sector entities is presented to the Board at this meeting.

Questions for Board members

- Q1 Do Board members have any questions or comments about the feedback received?
- Q2 Do Board members have any questions or comments about the proposed timeline for next steps?