

IAS 17 Leases (March 2014)

Meaning 'of incremental costs'

The Interpretations Committee received a request for clarification about IAS 17 *Leases*. The submission relates to the meaning of 'incremental costs' within the context of IAS 17.

The submitter asks whether the salary costs of permanent staff involved in negotiating and arranging new leases qualify as 'incremental costs' within the context of IAS 17 and should therefore be included as initial direct costs in the initial measurement of the finance lease receivable.

The Interpretations Committee noted that internal fixed costs do not qualify as 'incremental costs'. Only those costs that would not have been incurred if the entity had not negotiated and arranged a lease should be included in the initial measurement of the finance lease receivable.

On the basis of the analysis above, the Interpretations Committee determined that, in the light of the existing IFRS requirements, neither an Interpretation nor an amendment to a Standard was necessary and consequently decided not to add this issue to its agenda.