IFRS Accounting

Staff paper

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Topic	**Feedback summary—other matters**
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Purpose and structure of this paper

1. This paper summarises feedback to Questions 6.1–6.4 in the Request for Information *Post-implementation Review of IFRS 16* Leases (RFI), which sought information about other matters relevant to the assessment of the effects of IFRS 16, including the effects of applying IFRS 16 with other IFRS Accounting Standards.

2. This paper includes:

   (a) summary of comments about the effects of applying IFRS 16 with IFRS 9 *Financial Instruments* to rent concessions (paragraphs 5–11);

   (b) summary of comments about the effects of applying IFRS 16 with IFRS 15 *Revenue from Contracts with Customers* when assessing whether the transfer of an asset in a sale and leaseback transaction is a sale (paragraphs 12–16);

   (c) summary of comments about the effects of applying IFRS 16 with IFRS 15 to gain or loss recognition in a sale and leaseback transaction (paragraphs 17–22);

   (d) summary of comments about other matters (paragraphs 23–42); and

(e) question for the International Accounting Standards Board (IASB).

3. Questions 6.1–6.3 were included in the RFI after considering the initial feedback that the IASB received before publishing the RFI. Many stakeholders commented on the effects of applying the requirements in IFRS 16 with other IFRS Accounting Standards. Initial feedback suggested that:

   (a) it is still unclear how a lessee applies IFRS 16 with IFRS 9 to account for some rent concessions;

   (b) it might be difficult in some situations to determine whether the transfer of an asset by the seller-lessee in a sale and leaseback transaction is a sale in accordance with IFRS 15; and

   (c) some stakeholders have concerns about partial gain or loss recognition in a sale and leaseback transaction.

4. Question 6.4 sought feedback on other matters relevant to this post-implementation review (PIR) that are not specifically covered by the other questions in the RFI.

Applying IFRS 16 with IFRS 9 to rent concessions

Background information

5. Question 6.1 in the RFI asked stakeholders about their views on applying IFRS 16 with IFRS 9 to rent concessions described in Spotlight 6.1 of the RFI (that is, a rent concession in which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract, resulting in partial extinguishment of the lessee's lease liability).

Question 6.1—Applying IFRS 16 with IFRS 9 to rent concessions
(a) How often have you observed the type of rent concession described in Spotlight 6.1?
(b) Have you observed diversity in how lessees account for rent concessions that has had, or that you expect to have, a material effect on the amounts reported, thereby reducing the usefulness of information?
(c) If your view is that the IASB should act to improve the clarity of the requirements, please describe your proposed solution and explain how the benefits of the solution would outweigh the costs.
Please refer to **'Guidance for responding to questions'** on pages 7–8.

Feedback summary

6. Many stakeholders responded to Question 6.1. Most of those who commented (including most standard-setters, preparers, accountancy bodies and accounting firms) said there is still a lack of clarity about the interaction between IFRS 9 and IFRS 16 when a lessee accounts for a lease payment forgiven (rent concession). They questioned how a lessee distinguishes between the extinguishment of a lease liability to which IFRS 9 applies and a lease modification to which IFRS 16 applies. They said the distinction has substantial consequences, because it determines whether the lessee recognises an amount in the income statement for the gain or loss on extinguishment of the lease liability (applying IFRS 9) or instead adjusts the right-of-use asset (applying lease modification accounting in IFRS 16). Many said they observed diversity in practice resulting from the lack of clarity in the Standards—with some entities accounting for rent concessions as a lease modification and some as an extinguishment of the lease liability.

7. Stakeholders provided mixed messages about the frequency of rent concessions, however most of them suggested the IASB provide guidance on accounting for rent concessions because, even if not common now, such concessions might become common in the future. For example:

(a) some stakeholders (mostly standard-setters and accounting bodies from Asia-Oceania and Europe and global accounting firms) said rent concessions have been observed frequently, particularly in retail and aviation industries and especially during covid-19. An accounting firm provided an example from the retail industry, with lessors granting rent concessions to their shopping centre tenants as a compensation for disturbance during renovation works.

(b) some stakeholders (mostly preparers from Latin America and Asia-Oceania and global accounting firms) said rent concessions were common during covid-19 and since then are observed less frequently but are still a feature of economies.

(c) many stakeholders (mostly preparers and standard-setters from Asia-Oceania and Europe) said they either rarely observed rent concessions described in Spotlight 6.1 of the RFI, if at all, or found that the rent concessions were common during the covid-19 pandemic, but not after that—those stakeholders are split between those who consider the matter a low priority and those who still suggest the IASB provide application guidance.

8. Some stakeholders noted that *Annual Improvements to IFRS Accounting Standards—Derecognition of Lease Liabilities (Amendments to IFRS 9)* issued in July 2024 clarified that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in the income statement. However, these stakeholders said there remains a broader question about how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment (or a partial extinguishment) of a lease liability in IFRS 9.

9. Most of those who commented on the matter suggested the IASB provide guidance that would reduce diversity in practice. Some stakeholders shared their existing practice in accounting for the rent concessions or expressed their views on what the correct accounting should be, for example:

(a) accounting for a rent concession as a lease modification in accordance with IFRS 16;

(b) accounting for a rent concession:

  (i) as an extinguishment of the lease liability in accordance with IFRS 9 if the only change to the agreement is forgiveness of a lease payment. One standard-setter suggested the IASB consider clarifying the period over which the gain or loss on extinguishment should be recognised.

  (ii) as a lease modification in accordance with IFRS 16 if there are other changes to the lease because, in the view of one standard-setter, it would not be relevant or practicable to attempt to split the effect of the amendment between the derecognition of a financial liability and other modifications of the lease.

10. A few standard-setters suggested that in developing guidance on the matter the IASB consider various factors, including whether:

(a) the unit of account is a lease contract or a separate lease payment;

(b) the rent concession is driven by the lessee's financial difficulties or other reasons—the respondent also pointed out that a rebuttable presumption that a rent concession is accounted for under IFRS 16 unless it is clear it relates to financial difficulties could be developed because often it would be challenging to determine the actual reason for the concession; and

(c) the forgiven payment relates to past due balances or future lease payments.

11. One accounting firm said their firm's guidance on the matter suggests entities make an accounting policy choice between applying IFRS 16 or IFRS 9.

Applying IFRS 16 with IFRS 15 when assessing whether the transfer of an asset in a sale and leaseback transaction is a sale

Background information

12. Question 6.2 in the RFI asked stakeholders about their views on applying IFRS 16 with IFRS 15 in assessing whether the transfer of an asset in a sale and leaseback transaction is a sale.

> **Question 6.2—Applying IFRS 16 with IFRS 15 when assessing whether the transfer of an asset in a sale and leaseback transaction is a sale**
>
> (a) How often have you observed difficulties in assessing whether the transfer of an asset in a sale and leaseback transaction is a sale?
>
> (b) Have you observed diversity in seller–lessees' assessments of the transfer of control that has had, or that you expect to have, a material effect on the amounts reported, thereby reducing the usefulness of information?
>
> (c) If your view is that the IASB should act to help seller–lessees determine whether the transfer of an asset is a sale, please describe your proposed solution and explain how the benefits of the solution would outweigh the costs.
>
> Please refer to **'Guidance for responding to questions'** on pages 7–8.

Feedback summary

13. Many stakeholders (many standard-setters and some accounting bodies, preparers and accounting firms) responded to Queston 6.2. Of these stakeholders:

    (a) many stakeholders (mostly standard-setters, accounting bodies and accounting firms) said assessing whether the transfer of an asset in a sale and leaseback transaction is a sale under IFRS 15 is often difficult. Some said requirements in IFRS 15 were not intended to be applied to a sale and leaseback transaction and the lack of specific requirements and clarity cause application issues.

(b) some stakeholders (mostly preparers) said they have not encountered such difficulties, saying that such transactions are not frequent in their jurisdictions or sectors or that IFRS 16 provides sufficient guidance.

14. Many of those who commented reported diversity in how a seller-lessee makes judgements in assessing the transfer of control in sale and leaseback transactions in specific circumstances (see paragraph 15), with some saying that difficulties in assessments arise frequently. Other stakeholders either said they did not observe diversity or did not provide feedback on it.

15. Similar to the feedback to the Request for Information *PIR of IFRS 15* and our initial feedback in the PIR of IFRS 16, many stakeholders that responded to Question 6.2 in the RFI said that the assessment of the transfer of control is particularly difficult when:

(a) a seller-lessee's renewal options in a leaseback transaction cover substantially all of the remaining economic life of the underlying asset;

(b) only a part of an asset sold (for example, a floor of the building) is leased back;

(c) a seller-lessee has a repurchase option;

(d) revenue is recognised over time—it is not clear whether sale and leaseback requirements in IFRS 16 apply; and

(e) a lessee is involved in the specification of an asset during construction before a lease commences—the matter of judgement is whether the transaction should be accounted for as a sale and leaseback.

16. Many of those who commented provided suggestions for the IASB to consider:

(a) many asked for guidance or examples (or both) to illustrate the application of the requirements to scenarios described in paragraph 15;

(b) some suggested clarifying the application of control criteria specifically to sale and leaseback transactions;

(c) some suggested decision trees or flowcharts to help preparers apply the requirements consistently;

(d) a few suggested the IASB develop clearer requirements to help entities assess whether the transfer of an asset is a sale (similar to the requirements in FASB ASC Topic 842, Leases);[1] and

(e) a few suggested the IASB add guidance (similar to that in Topic 842) to help entities determine whether a lessee controls an underlying asset during construction before a lease commences (see paragraph 15(e)).[2]

Applying IFRS 16 with IFRS 15 to gain or loss recognition in a sale and leaseback transaction

Background information

17. Question 6.3 in the RFI asked stakeholders about their views on the usefulness of information resulting from application of partial gain or loss recognition requirements in a sale and leaseback transaction.

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[1] FASB ASC paragraph 842-40-25-2 states: '[…] the buyer-lessor is not considered to have obtained control of the asset in accordance with the guidance on when an entity satisfies a performance obligation by transferring control of an asset in Topic 606 [Revenue from Contracts with Customers] if the leaseback would be classified as a finance lease or a sales-type lease.'

[2] FASB ASC paragraph 842-40-55-5 states: 'If the lessee controls the underlying asset being constructed before the commencement date, the transaction is accounted for in accordance with this Subtopic. Any one (or more) of the following would demonstrate that the lessee controls an underlying asset that is under construction before the commencement date:

a. The lessee has the right to obtain the partially constructed underlying asset […].
b. The lessor has an enforceable right to payment for its performance to date, and the asset does not have an alternative use […].
c. The lessee legally owns either: 1. Both the land and the property improvements […] 2. The non-real-estate asset […].
d. The lessee controls the land that property improvements will be constructed upon […].
e. The lessee is leasing the land that property improvements will be constructed upon, the term of which, together with lessee renewal options, is for substantially all of the economic life of the property improvements […].

The list of circumstances above in which a lessee controls an underlying asset that is under construction before the commencement date is not all inclusive. […]'.

Question 6.3—Applying IFRS 16 with IFRS 15 to gain or loss recognition in a sale and leaseback transaction

(a) Do you agree that restricting the amount of gain (or loss) an entity recognises in a sale and leaseback transaction results in useful information?

(b) What new evidence or arguments have you identified since the IASB issued IFRS 16 that would indicate that the costs of applying the partial gain or loss recognition requirements, and the usefulness of the resulting information, differ *significantly* from those expected?

(c) If your view is that the IASB should improve the cost-benefit balance of applying the partial gain or loss recognition requirements, please describe your proposed solution.

Please refer to **'Guidance for responding to questions'** on pages 7–8.

Feedback summary

18. Many stakeholders (many standard-setters, accounting bodies, preparers and accounting firms) responded to Question 6.3 in the RFI.[3] Most of these stakeholders said restricting gain or loss in a sale and leaseback transaction provides useful information. They said such accounting:

    (a) reflects the economic substance of a transaction by recognising only the gain or loss related to the transferred rights and prevents recognising gains on portions of assets continued to be used;

    (b) reflects the principle that where several transactions are linked, these should be considered together; and

    (c) mitigates incentives to structure transactions to achieve a preferred accounting outcome.

19. Although they agreed with restricting the gain or loss, many highlighted the complexity and high cost of implementing the partial gain or loss recognition model. They said:

[3] For more details about user feedback, see paragraphs 37–39 of Agenda Paper 7E for the January 2026 IASB meeting.

(a) determining the portion of gain or loss and retained rights requires significant judgement and complex calculations;

(b) implementing and auditing these calculations comes with significant costs; and

(c) calculating partial gains is further complicated if the leaseback includes variable lease payments that do not depend on an index or a rate.

20. Some of those that agreed with the partial gain or loss recognition requirements suggested the IASB:

(a) improve the cost–benefit balance of applying the related requirements by providing practical expedients or prescriptive guidance to calculate partial gains or losses;

(b) provide additional guidance to address some application questions including how to initially measure lease liabilities when the leaseback includes variable lease payments that depend on an index or a rate, in particular, whether future increases of variable lease payments that depend on an index or a rate are considered in the measurement of the lease liability; and

(c) reconsider the inconsistency in the measurement of lease liabilities that arise from sale and leaseback transactions and those unrelated to sale and leaseback transactions in relation to variable lease payments that do not depend on an index or a rate.

21. Some of those who responded to Question 6.3 in the RFI (mostly from Asia-Oceania, including a user organisation, and also a few global accounting firms) disagreed with restricting the amount of gain or loss in a sale and leaseback transaction. They said such accounting:

(a) is inconsistent with the requirements in IFRS 15, which require full revenue recognition when control has been transferred. Some of these stakeholders argue that when the buyer-lessor obtains control of the underlying asset, the right-of-use asset arising in a leaseback is substantively different from the transferred asset, and it is appropriate to account for the transfer of the asset and the leaseback as separate transactions.

(b) reduces comparability with information provided in accordance with Topic 842, Leases (see paragraph 22).

(c) requires complex calculations for preparers, which obscures financial performance and is not useful to users, so the benefits do not outweigh the costs.

(d) introduces inconsistent accounting for variable lease payments (that do not depend on an index or a rate) in order to restrict gains or losses. In a sale and leaseback transaction, the seller-lessee includes such payments in the measurement of the lease liability to the extent that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Otherwise, variable lease payments (that do not depend on an index or a rate) are not included in the measurement of the lease liability.

(e) is inconsistent with the lessor requirements in IFRS 16, which does not restrict gain recognition at the commencement of a finance lease.

22. Stakeholders who disagree with partial gain or loss recognition suggest adopting an accounting approach consistent with Topic 842, where:

(a) gains or losses are recognised in full when the transfer of the asset qualifies as a sale; and

(b) lease liabilities are not recognised for variable lease payments that do not depend on an index or a rate, whether leases are part of sale and leaseback transactions or not.

Other matters

Background information

23. Question 6.4 in the RFI provided stakeholders with the opportunity to share feedback on other matters relevant to the assessment of the effects of IFRS 16 that are not specifically covered by the other questions in the RFI.

Question 6.4—Other matters relevant to the assessment of the effects of IFRS 16
Are there any further matters the IASB should examine as part of the post-implementation review of IFRS 16? If so, please explain why, considering the objective of a post-implementation review as set out on page 5. Please refer to **'Guidance for responding to questions'** on pages 7–8.

Feedback summary

24. This section summarises feedback on:

    (a) lessor accounting (paragraphs 25–28);

    (b) determining the scope of IFRS 16 and identifying a lease (paragraphs 29–33);

    (c) corporate wrappers (paragraphs 34–38); and

    (d) other matters (paragraphs 39–42).

Lessor accounting

25. Some stakeholders (mostly standard-setters, accounting bodies, preparers and accounting firms from Asia-Oceania) commented on lessor accounting.

26. Some stakeholders raised concerns about the lack of detailed requirements in IFRS 16 for lessors considering the detailed specific requirements for lessees. Stakeholders' comments included (each comment was raised by no more than a few stakeholders):

(a) whether to analogise to the requirements for lessees after the commencement date, for example, whether to remeasure the net investment in the lease for variable lease payments that depend on an index or a rate (or for a change in the lease term) and whether in such cases to use an unchanged or a revised discount rate;

(b) how to apply IFRS 9 impairment requirements to the net investment in the lease;

(c) how to account for unguaranteed residual value when the lease term is modified; and

(d) whether a lessor recognises operating lease income when the collectability of the lease payment is not probable (that is, whether to analogise to the requirements in IFRS 15).[4]

27. Some stakeholders that raised the concerns in paragraph 26 said they have observed diversity in practice due to a lack of clear guidance for lessor accounting and suggested that the IASB consider providing additional requirements or guidance (or both).

28. Other than concerns about the lack of detailed requirements, a few stakeholders raised additional concerns about some of the requirements including about:

(a) the requirement to separate lease and non-lease components, particularly in real estate leases. In these stakeholders' view, separation provides little or no useful information to users (who focus on total lease revenue) and leads to unnecessary operational burden. They suggested the IASB provide a practical

[4] See paragraph 9(e) of IFRS 15 *Revenue from Contracts with Customers*.

expedient similar to that in Topic 842, which permits lessors not to separate specific lease and non-lease components.[5]

(b) the accounting for variable lease payments (that are not linked to an index or a rate) by lessees (intermediate lessors). In these stakeholders' view, there are inappropriate accounting outcomes when intermediate lessors recognise day one gains or losses. These typically occur when the lease payments of the head lease are fully variable (and do not depend on an index or a rate) and those of the sublease (if classified as finance lease) are fixed lease payments or vice versa. Some of these stakeholders suggested the IASB develop requirements for intermediate lessors that would be similar to those in Topic 842 and, therefore, would require the classification of subleases as operating leases to address the day one loss concern.[6]

(c) principal versus agent considerations. In these stakeholders' view, it is unclear whether principal versus agent considerations in IFRS 15 apply to an intermediate lessor in a sublease transaction. They said it is necessary to consider whether recognising the right-of-use asset and the lease liability related to the head lease faithfully represents the substance of the transaction when the intermediate sublessor acts as an agent of the head lessor.

(d) the requirements for a manufacturer or dealer lessor to recognise revenue relating to a finance lease at the commencement date (that is, at a point in time).[7] However, applying IFRS 15 might require the recognition of revenue

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[5] FASB ASC paragraph 842-10-15-42A states: 'As a practical expedient, a lessor may, as an accounting policy election, by class of underlying asset, choose to not separate nonlease components from lease components and, instead, to account for each separate lease component and the nonlease components associated with that lease component as a single component if the nonlease components otherwise would be accounted for under Topic 606 on revenue from contracts with customers and both of the following are met:

a. The timing and pattern of transfer for the lease component and nonlease components associated with that lease component are the same.
b. The lease component, if accounted for separately, would be classified as an operating lease in accordance with paragraphs 842-10-25-2 through 25-3A.

[6] FASB ASC paragraph 842-10-25-3A states: 'Notwithstanding the requirements in paragraphs 842-10-25-2 through 25-3, a lessor shall classify a lease with variable lease payments that do not depend on an index or a rate as an operating lease at lease commencement if classifying the lease as a sales-type lease or a direct financing lease would result in the recognition of a selling loss.'

[7] See paragraph 71 of IFRS 16.

over time.[8] The stakeholders referred to ship construction contracts or construction at the customer site and asked whether this inconsistency in the requirements is intentional.

Determining the scope of IFRS 16 and identifying a lease

29. Some stakeholders commented on the requirements for identifying a lease. Comments on challenges with identifying a lease included determining whether:

(a) the customer or the supplier or a regulator, if applicable, direct the use of an asset—for example, a few parties could be involved in the design of the asset in a way that predetermines how and for what purpose the asset is used throughout the lease period.[9]

(b) a supplier's right to substitute an asset is substantive throughout the period of use, in particular, whether a supplier benefits economically from the substitution.[10] Two lessor preparer organisations from Europe suggested the IASB consider clarifying how these requirements apply to some arrangements in the circular economy and expressed concerns that 'Asset as a Service' arrangements[11] might fall within the scope of IFRS 16.

(c) a power purchase agreement is a lease because the contracts are complex and it is not clear whether a customer has the right to obtain substantially all the economic benefits from, and to direct the use of, an identified asset (for example, solar power equipment).

30. Some stakeholders (mostly preparers, standard-setters and accounting firms) said it is unclear whether some arrangements, such as 'Software as a Service' cloud computing arrangements (in which the customer contracts to pay a fee in exchange for a right to receive access to the supplier's application software for a specified term) or some

[8] See paragraph 35 of IFRS 15.

[9] See paragraph B24 of IFRS 16.

[10] See paragraph B14 of IFRS 16.

[11] An arrangement that provides a customer with an access to using assets via a subscription to a cloud service platform.

digital infrastructure (such as indefeasible rights of use in the telecommunications industry), are within the scope of IFRS 16, IAS 38 *Intangible Assets* or are a service contract within the scope of another Accounting Standard. A few said that the Agenda Decision *Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud (IAS 38)* published by the IFRS Interpretations Committee in March 2019 has not resolved the diversity in practice with some entities applying IFRS 16, some applying IAS 38 and some applying other Accounting Standards to similar arrangements.

31. A few stakeholders raised concerns about the lack of clear criteria for distinguishing in-substance (financed) purchases from leases. For more details, see paragraphs 20–23 of Agenda Paper 7C for the January 2026 IASB meeting.

32. A few standard-setters provided more general comments on distinguishing between a lease and a service contract.

33. Most stakeholders who commented on challenges in determining the scope of IFRS 16 and identifying a lease suggested the IASB add clearer guidance or illustrative examples.

Corporate wrappers

34. Some stakeholders (including some standard-setters, accountancy bodies and accounting firms) suggested the IASB clarify accounting for the sale of a subsidiary and the leaseback of its assets (or its only asset)—so called 'corporate wrappers'. Specifically, the stakeholders said it is not clear:

   (a) whether the entity applies IFRS 10 *Consolidated Financial Statements* or—in accordance with paragraph 99 of IFRS 16—IFRS 15 to determine whether it transferred control of the assets and needs to derecognise the assets; and

   (b) whether it applies requirements for sale and leaseback accounting in paragraphs 100–102A of IFRS 16 and recognises a 'partial gain' on the sale of the assets or applies paragraphs 25 and B97–B99 of IFRS 10 and recognises the 'full gain' on the sale of the subsidiary, if the entity determines that it transferred control of the assets.

35. A few stakeholders said they note that the matter (Sale and Leaseback of an Asset in a Single-asset Entity) is included in the IASB's Maintenance project pipeline. However, they urged the IASB to address it sooner than in the Fourth Agenda Consultation because:

(a) the matter is widespread and results in significant diversity in practice; and

(b) a few stakeholders noted that they submitted similar requests to the IASB in the previous PIRs (that is, the PIR of IFRS 10, IFRS 11 and IFRS 12[12] and in the PIR of IFRS 15) and that addressing the matter is now overdue.

36. A few standard-setters provided their views on accounting for the transaction:

(a) if the subsidiary is a business, then IFRS 10 requirements should apply both to control assessment and accounting for derecognition of the subsidiary, otherwise, IFRS 16 sale and leaseback requirements should apply;

(b) IFRS 16 sale and leaseback requirements should apply to prevent entities from structuring transactions to avoid partial gain recognition; and

(c) IFRS 10 requirements should apply to control assessment and IFRS 16 sale and leaseback requirements should apply to accounting for derecognition of the assets.

37. One accounting firm said in accordance with their guidance an entity is allowed to choose as its accounting policy either IFRS 16 or IFRS 10 to account for transactions involving corporate wrappers.

38. A few stakeholders suggested that, in addition to clarifying the interaction between IFRS 16 and IFRS 10 in accounting for corporate wrappers, the IASB should undertake a broader project to clarify the interaction between IFRS 10 and other

[12] IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.

Accounting Standards—IAS 16 *Property, Plant and Equipment*, IAS 38 and IFRS 15—in accounting for similar transactions. Many of those agreed with considering the broader project as part of the Fourth Agenda Consultation.

Other matters

39. Some stakeholders commented on the effects of applying the recognition exemptions for leases in IFRS 16. For more details, see paragraphs 12–14 of Agenda Paper 7D for the January 2026 IASB meeting.

40. Some respondents raised other matters, with none of them being raised by more than a few respondents. Matters raised by more than one respondent included:

    (a) concerns about the pattern of recognition of lease-related expenses, for example:

        (i) double-counting of lease-related expenses for leases with lease payments that are initially variable and are excluded from the measurement of the lease liability, followed by a period with fixed lease payments that are included in the measurement of the lease liability and capitalised as a right-of-use asset which is depreciated from the lease commencement date. In the initial period, an entity recognises both the variable lease payments and depreciation of the right-of-use asset in the income statement.

        (ii) mismatch of recognition of lease-related expenses and lease income for an intermediate lessor.

    (b) concerns about usefulness of information resulting from the requirement not to recognise in lease liabilities variable lease payments that do not depend on an index or a rate, for example, sales-based variable lease payments. A few stakeholders said the requirements create structuring opportunities and are inconsistent with the requirements for variable lease payments in sale and leaseback transactions or in other IFRS Accounting Standards, for example, the requirements for variable consideration in IFRS 15.

(c) the application of the requirements in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and IAS 29 *Financial Reporting in Hyperinflationary Economy* (see paragraph 8(e) of Agenda Paper 7D for the January 2026 IASB meeting) not resulting in useful information.

(d) lack of guidance on accounting for:

   (i) subleases, including accounting for variable lease payments and principal–agent considerations described in paragraph 28(b)–(c);

   (ii) non-cash consideration;

   (iii) maintenance costs for the leased asset;

   (iv) lease deposits; and

   (v) input VAT and other taxes.

(e) difficulties in applying the requirements in paragraphs 13–16 of IFRS 16 on separating a non-lease component from a lease.

(f) difficulties when applying IAS 36 *Impairment of Assets* to test cash-generating units containing right-of-use assets for impairment.

(g) concerns about the usefulness of information resulting from application of IFRS 16 with IFRS 11 or IFRS 3 *Business Combinations*.

(h) lack of clarity about the application of IFRS 16 with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to a particular fact pattern.

(i) lack of clarity about accounting for:

   (i) initial direct costs;

   (ii) lease incentives; and

   (iii) determining the useful life of the leasehold improvements.

(j) adding a requirement to disclose a reconciliation of movements in right-of-use assets and lease liabilities (see paragraphs 28(c) and 41(e) of Agenda Paper 7E for the January 2026 IASB meeting).

41. A few stakeholders commented on costs of applying IFRS 16 for small or medium-sized entities that are outside the scope of the IFRS for SMEs Accounting Standard (see paragraph 20 of Agenda Paper 7D for the January 2026 IASB meeting).

42. A few respondents expressed concerns about timing of this PIR. The suggestions included:

    (a) starting a PIR no later than three years after a Standard is effective; and

    (b) identifying and resolving issues at two key stages—upon issuance of a Standard and during initial application—through the use of the IFRS Interpretations Committee and transition resource groups.

Question for the IASB

Question for the IASB
Do you have any comments or questions about the feedback summary in this agenda paper?