IFRS Accounting

Staff paper

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IASB® meeting

Date	**July 2026**
Project	**Post-implementation Review (PIR) of IFRS 16 *Leases***
Topic	**Overall assessment of IFRS 16 and finalising decisions in this PIR**
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Purpose and structure of this paper

1. In January and February 2026, the International Accounting Standards Board (IASB) discussed summaries of feedback on the Request for Information *Post-implementation Review of IFRS 16 Leases* (RFI) and the updated review of academic literature relevant to this Post-implementation Review (PIR). In particular, at its meeting in January 2026, the IASB discussed the summary of stakeholders' feedback to Question 1 in the RFI, which sought information on stakeholders' overall views on IFRS 16.

2. During March–June 2026, the IASB deliberated the feedback and made tentative decisions on matters identified by stakeholders. There were six Questions in the RFI. Appendix B to this paper summarises Questions 2–6 in the RFI, stakeholders' feedback and the IASB's tentative decisions.

3. The IASB received additional feedback on the project from the Accounting Standards Advisory Forum (ASAF) in March 2026 and the Emerging Economies Group (EEG) in June 2026.

4. At this meeting, the IASB:

(a) will discuss our analysis of stakeholders' overall views on IFRS 16 to assess whether IFRS 16 is overall working as intended (Question 1 in the RFI); and

(b) will be asked to finalise its tentative decisions on the PIR of IFRS 16, considering additional feedback from ASAF and EEG.

5. This paper is structured as follows:

(a) summary of staff recommendations (paragraph 6);

(b) overall assessment of IFRS 16:

(i) background (paragraphs 7–9);

(ii) what stakeholders say (paragraphs 10–33); and

(iii) staff analysis (paragraphs 34–83);

(c) confirming tentative decisions in this PIR:

(i) additional feedback from the ASAF and the EEG (paragraphs 84–104); and

(ii) staff analysis and recommendations (paragraphs 105–108);

(d) Appendix A—Findings from the AI-assisted review of lessees' disclosure practices; and

(e) Appendix B—Summary of the IASB's discussions and tentative decisions to date.

Summary of staff recommendations

6. Based on our analysis in this paper, we recommend the IASB:

(a) confirm its previous decisions:

(i) to add a research project to its project pipeline. The project will explore whether it would be feasible to mitigate the higher-than-expected ongoing costs for lessees of applying the measurement requirements in IFRS 16 without a significant negative effect on the usefulness of lease-related financial information. The project will explore the feasibility of reducing costs relating to:

(1) *remeasurements of the lease liability* (for example, by reducing the frequency of remeasurements of the lease liability and simplifying the requirements for the reassessment of the lease liability to reflect changes in variable lease payments that are linked to an index or a rate).

(2) *discount rates* (for example, by requiring or permitting lessees to use a simplified discount rate instead of the incremental borrowing rate and an unchanged discount rate for some remeasurements of the lease liability).

(ii) to explore (in its project on the Statement of Cash Flows and Related Matters) requiring lessees to disclose the components of the total cash outflow for leases together with the line item in the statement of cash flows in which each component is presented.

(iii) to add a narrow-scope project to its project pipeline to clarify how a lessee applies the requirements in IFRS 16 and IFRS 9 *Financial Instruments* to account for a rent concession (in which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract). The IASB will undertake this project together with the research project on cost-reduction measures in paragraph 6(a)(i) as a single project to improve IFRS 16.

(iv) to consider the priority of a project to explore the effects of applying the requirements in IFRS 16 and IFRS 10 *Consolidated Financial Statements* to account for the Sale and Leaseback of an Asset in a Single-asset Entity (currently in the maintenance project pipeline) together with other corporate wrapper matters in its next agenda consultation;

(v) to remove the matter Sale and Leaseback of an Asset in a Single-asset Entity from the maintenance project pipeline; and

(vi) not to take action on other matters identified by stakeholders in response to Questions 2–6 in the RFI.

(b) conclude that the requirements in IFRS 16 are overall working as intended.

Overall assessment of IFRS 16

Background

7. The objective of IFRS 16 is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements (users) to assess the effect that leases have on the financial position, financial performance and cash flows of an entity (paragraph 1 of IFRS 16).

8. As set out in the description of PIRs in paragraphs 6.52–6.65 of the *Due Process Handbook*, the objective of a PIR is to assess whether the effects of applying the requirements of a new Standard on users of general purpose financial reports, preparers, auditors and securities regulators are as intended when the new requirements were developed. The basis for such an assessment is the objective of the Standard and the effects analysis of the likely benefits and initial and ongoing costs arising from the new requirements that a board publishes when it issues the new requirements.[1] A PIR involves a board assessing whether the new requirements are overall working as intended, that is:

(a) the benefits to users of general purpose financial reports of the information arising from applying the new requirements are not significantly lower than was expected; and

[1] See the Effects Analysis accompanying IFRS 16.

(b) the costs of applying the requirements and auditing and enforcing their application are not significantly greater than was expected.

9. Question 1 in the RFI asked stakeholders about their overall assessment of IFRS 16:

Question 1—Overall assessment of IFRS 16

(a) In your view, is IFRS 16 meeting its objective (see page 9) and are its core principles clear? If not, please explain why not.

(b) In your view, are the *overall* improvements to the quality and comparability of financial information about leases *largely* as the IASB expected? If your view is that the overall improvements are *significantly lower* than expected, please explain why.[8]

(c) In your view, are the *overall* ongoing costs of applying the requirements and auditing and enforcing their application *largely* as the IASB expected? If your view is that the overall ongoing costs are *significantly higher* than expected, please explain why, how you would propose the IASB reduce these costs and how your proposals would affect the benefits of IFRS 16.[9]

The *Effects Analysis on IFRS 16* describes the expected likely effects of the Standard, including benefits and implementation and ongoing costs.

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

What stakeholders say

10. Agenda Papers 7A–7E for the January 2026 IASB meeting provided detailed feedback summaries to Questions 1–4 in the RFI. We note that stakeholders' responses to Question 1 and Questions 2–4 in the RFI included overlapping messages and some repetition. Therefore, in this section, rather than repeating stakeholder feedback that the IASB has already deliberated at its March–June 2026 meetings, we include and focus only on the key themes that, in our view, provide a sufficient basis for the IASB to determine whether IFRS 16 is *overall* working as intended.

Overall views on IFRS 16

11. Almost all stakeholders provided their overall views on IFRS 16. Of those stakeholders:

    (a) most (including most accounting firms and standard-setters, many users and some preparers) provided positive overall feedback (paragraph 12);

    (b) some (including many preparers, some users and a few standard-setters from Latin America and Asia-Oceania) provided negative overall feedback (paragraphs 13–14); and

    (c) some (including some preparers, some users and a few accountancy bodies) provided mixed overall feedback (paragraphs 15–16).

12. Of the stakeholders who provided positive overall feedback on IFRS 16 most said that the Standard is meeting (or largely meeting its objective), and many also said that its core principles are clear or understood. Stakeholders' other comments included:

    (a) IFRS 16 has improved transparency about lessees' leverage and capital employed by requiring recognition of lease liabilities and right-of-use assets;

    (b) the Standard successfully addresses shortcomings of IAS 17 *Leases* and improves the quality of financial information;

    (c) the single lessee classification model eliminates ambiguity between finance and operating leases (that is, off-balance-sheet financing) and ensures faithful representation of lease obligations;

    (d) the Standard has improved comparability between lessees and entities that borrow to buy assets; and

    (e) entities provide better disclosures applying IFRS 16, which facilitates informed credit and investment decisions.

13. Some stakeholders who commented on IFRS 16 as a whole provided negative feedback, mostly because, in their view, leases in general (or some of them) are not

financing arrangements. Stakeholders' comments can be broadly categorised as being related to:

(a) lease classification (and presentation in the financial statements)—most said that a single lessee accounting model in IFRS 16 fails to provide useful information that would faithfully represent the differing economics of various types of leases—these stakeholders view some (or all) leases as operating (rather than debt-like) transactions.

(b) distortions to financial ratios—many stakeholders expressed concerns about distortions to EBITDA, leverage and other metrics, and said they provide alternative performance measures that reverse the effects of IFRS 16 on the entities' financial performance or cash flows to faithfully represent the underlying economics of their lease contracts. Some stakeholders expressed concerns about front-loading of interest expense arising on lease liabilities.

(c) cost-benefit imbalance—many said reporting in accordance with IFRS 16 is perceived as a compliance obligation and does not provide useful information to internal or external stakeholders.

(d) comparability with US GAAP model—some stakeholders (from Latin America and Canada) commented on differences between the lessee accounting model in IFRS 16 and in FASB ASC Topic 842, Leases (Topic 842).

14. Many of those that provided negative feedback (but only a few in relation to all stakeholders that provided feedback to the RFI) recommended changes to the IFRS 16 accounting model for lessees, such as:

(a) to require lessees to classify leases as finance or operating leases;

(b) to require lessees to provide better disclosures instead of recognition of right-of-use assets and related lease liabilities;

(c) align the reporting in the income statement with Topic 842; or

(d) to reinstate IAS 17.

15. Some stakeholders who commented on IFRS 16 as a whole provided mixed views. Many of them made some positive comments such as IFRS 16 is working as intended, has achieved its objective or that its principles are clear (or fundamentally sound). Some said IFRS 16 is generally working well for simple leases but might not fully address certain complex scenarios. However, most stakeholders, including those that made positive comments, raised concerns which are largely similar to comments of those stakeholders who explicitly provided negative feedback (see paragraph 13) which indicates that they might disagree with some key concepts and core principles in the Standard.

16. Of the stakeholders who provided mixed overall feedback, a few said the IASB should avoid any fundamental changes to IFRS 16, and some others recommended changes to the IFRS 16 accounting model for lessees, such as:

    (a) extend the short-term lease recognition exemption to 5 years;

    (b) exclude certain classes of assets from the scope of IFRS 16; and

    (c) require disclosure of two types of leases (finance and operating).

Overall benefits

17. Most stakeholders commented on the overall improvements to the quality and comparability of financial information about leases. Of these stakeholders:

    (a) most agreed that the benefits are largely as expected—comments from these stakeholders are generally similar to the comments summarised in paragraph 12;

    (b) some said there are some benefits—for example, recognition of leases on entities' balance sheets has improved transparency of leverage and capital employed, but the presentation of related cash flows or front-loading of interest expense and distortion to operating profit do not provide useful information; and

(c) a few said the overall improvements are not largely as the IASB expected because, for example:

(i) information provided using IFRS 16 falls short in enabling users to understand the long-term funding requirements of an entity;

(ii) balance sheet comparability is limited by the fact that reported lease liabilities are heavily influenced by the remaining maturity of an entity's lease portfolio;

(iii) IFRS 16 distorts key financial indicators without any real economic change, leading users to adjust its effects for management and analytical purposes;

(iv) the divergence in income statement presentation between IFRS 16 and Topic 842 creates significant challenges for global comparability; or

(v) stakeholders continue to rely on pre-IFRS 16 metrics in internal and external communication, largely due to the perception that the IFRS 16 accounting model does not accurately reflect business operations—for example, rental costs are no longer reflected in EBITDA, which is a key performance measure for many entities.

18. However, most stakeholders (including most that provided positive overall feedback) raised a wide range of concerns (some more significant than others) about the usefulness of information resulting from the application of significant judgement in determining discount rates and lease terms. In addition, of the many stakeholders who commented on the usefulness of information about lessees' lease-related cash flows, many said that the improvements are lower (or significantly lower) than the IASB expected or provided mixed feedback.

19. Some stakeholders (mainly standard-setters) provided examples of benefits to preparers (and, indirectly, users) of applying IFRS 16, such as:

(a) a better understanding of the existing portfolio of contractual agreements and lease transactions, because entities needed to make an inventory of all lease agreements when transitioning to IFRS 16;

(b) centralisation of lease management processes, which results in operational efficiencies;

(c) improved internal processes and controls related to lease portfolios;

(d) greater collaboration of the business and finance functions which results in better management decisions; and

(e) informed credit and investment assessments.

20. However, many preparers from various regions said it is unclear what the benefits of IFRS 16 are and whether the information is useful, because preparers receive few questions about leases from users. In addition, these preparers often reverse the effects of IFRS 16 for their internal management purposes or in external market communications, for example, for consistency with their peers (who report EBITDA and cash flows on a pre-IFRS 16 basis) or for banks (who monitor debt covenants on a pre-IFRS 16 basis).

21. A few stakeholders said there are potential structuring opportunities in identifying a contract as a lease or a service, in determining shorter lease terms or in including in contracts variable lease payments (that do not depend on an index or a rate) instead of fixed payments to avoid recognition of lease liabilities (or to recognise lower amounts of lease liabilities). For example, a credit-rating agency said they observe changes in fixed cover ratios not matching the improved measures of leverage which might indicate there are more contracts with variable lease payments than before. Conversely, another credit-rating agency said that there is significantly less structuring than they observed under IAS 17 when entities applied judgement in classifying leases as finance or operating.

Overall costs

22. Some stakeholders commented on initial costs of applying IFRS 16 and they generally said these costs were high.

23. Many stakeholders commented on the overall ongoing costs of applying the requirements in IFRS 16 and auditing their application. Of these stakeholders:
    (a) some of them agreed that overall ongoing costs are largely as the IASB expected;
    (b) some said they are high;
    (c) many expressed concerns about higher-than-expected overall ongoing costs, with many of them (who are some in relation to all respondents to the RFI) saying that they are significantly higher than expected; and
    (d) some were unclear whether the overall ongoing costs are largely as expected.

24. Among the many stakeholders who expressed concerns about higher-than-expected ongoing costs of applying IFRS 16, stakeholders pointed to continued heavy workloads from reassessments, frequent lease modifications, maintaining audit trails and governance, and specialist resource needs. Stakeholders acknowledged that experiences differ depending on entity size, sector and complexity of lease portfolio and said that higher-than-expected ongoing costs are prevalent among lessees with large or complex lease portfolios in lease-intensive industries. Stakeholders also mentioned system limitations and the costs of the maintenance of the systems.

25. Many stakeholders, who commented on the overall ongoing costs, identified the requirement to determine discount rates (or revised discount rates) as one of the major ongoing cost drivers. They emphasised that the determination and periodic updates of discount rates are complex, involve significant judgement, and in some cases require the use of external consultants, in particular for entities with activities in multiple jurisdictions and in volatile markets with frequently changing interest rates.

26. Most stakeholders, who commented on the overall ongoing costs, also mentioned the requirements for reassessments of the lease liability and lease modifications as a cause of disproportionately high ongoing costs. They said that frequent minor changes (for example, a lessees' reassessment of the lease term, indexation of variable lease payments, rent concessions) trigger complex accounting and often require recalculating discount rates and remeasuring lease liabilities, contributing to operational and audit burden.

27. Some preparers and some standard-setters, who commented on ongoing costs of applying IFRS 16, commented on high costs of disclosing information required in IFRS 16 with little or no observed benefit to users. Some stakeholders (including many preparers and some standard-setters) commented on the recognition exemptions for leases saying they have not benefitted from them as much as the IASB expected.

Other matters

Potential improvements to future transition requirements

28. Many stakeholders commented on transition requirements in IFRS 16. Of those stakeholders:

    (a) most agreed that the requirements achieved an appropriate balance between reducing costs for preparers and providing useful information to users; and

    (b) some said allowing multiple transition options created comparability issues.

29. Many stakeholders provided recommendations for future standard-setting projects, particularly about having multiple transition options. Most of the stakeholders who commented specifically on having multiple transition options recommended that the IASB should provide flexibility in transition options, while some others expressed concerns about allowing multiple transition options.

Other application issues

30. Although not explicitly raised by stakeholders when considering the overall benefits and costs of IFRS 16, stakeholders also raised various application issues.

31. Many stakeholders provided feedback on the benefits to users of information resulting from the application of the requirements in IFRS 16 with the requirements in other IFRS Accounting Standards. Of all stakeholders who provided feedback in this PIR:

    (a) many said they observed diversity in practice resulting from the lack of clarity about how to account for some types of rent concessions, with some entities accounting for them as a lease modification and some as an extinguishment of the lease liability;

    (b) some reported diversity in how a seller-lessee makes judgements in assessing the transfer of control in sale and leaseback transactions in specific circumstances;

    (c) a few said restricting the amount of gain or loss in a sale and leaseback transaction does not provide useful information (and some said the requirements are costly to apply);

    (d) a few said there is diversity in accounting for sale and leaseback of an asset in a single-asset entity (a corporate-wrapper matter); and

    (e) a few said there is diversity in accounting for customer's rights to receive access to the supplier's software hosted on the cloud.

32. Some stakeholders also commented on lessor accounting, identifying leases and raised a range of other application questions.

SMEs-related comments

33. A few stakeholders (mainly from Asia-Oceania) commented on the challenges that small or medium-sized (SMEs) face in applying IFRS 16. Their comments included:

    (a) SMEs often do not have the capacity or resources to implement sophisticated lease accounting systems.

(b) ongoing maintenance remains a burden for SMEs with limited finance staff.

(c) estimating the incremental borrowing rate is particularly challenging for SMEs with limited access to comparable financing data. Such estimations reduce consistency and comparability even within similar-sized entities.

(d) frequent reassessments due to minor contract changes consume resources that SMEs often lack. These changes are usually immaterial but require significant manual effort to comply with IFRS 16.

Staff analysis

Overall benefits

34. Feedback from most stakeholders, including many users, suggests that overall improvements to the quality and comparability of financial information about leases are largely as the IASB expected when it issued IFRS 16. However, most stakeholders also raised a wide range of concerns (some more significant than others). The IASB deliberated these concerns at its meetings in March, April and June 2026. In this section, we look holistically at some of the main themes arising from stakeholders' feedback, such as usefulness of information resulting from:

(a) lessees' application of judgement;

(b) lessees' application of the requirements for the classification and presentation of (and disclosure of information about) lease-related cash flows;

(c) income statement expense profile ('front-loading'); and

(d) potential opportunities to structure lease contracts.

Usefulness of information resulting from lessees' application of judgements

35. Regarding the usefulness of information resulting from lessees' application of judgement, we acknowledge stakeholders' concerns. Based on our analysis in Agenda Paper 7B for the March 2026 IASB meeting, in our view, the nature of stakeholders' comments suggests that some challenges might arise because of specific facts and

circumstances surrounding the contracts, in particular, complex contracts, highly structured transactions or evolving arrangements (such as, power purchase agreements).

36. One possible solution that the IASB discussed was to require lessees to explicitly disclose the judgements they make when determining lease terms and discount rates. However, the IASB acknowledged that even if this information was specifically required, there still could be some questions about how useful the disclosed information would be. This is because, for example, entities with large lease portfolios would likely provide aggregated information. Also, it is questionable whether there would be any incremental benefits from requiring specific information about judgments (in addition to what is already required in IAS 1 *Presentation of Financial Statements*).

37. In addition, the IASB considered providing more detailed guidance or additional examples. The IASB observed that illustrative examples are usually most useful when they illustrate how an entity applies a specific requirement in a fact pattern that can be applied broadly. Illustrative examples for specific complex fact patterns would be unlikely to help many stakeholders—the outcome for other entities might be different depending on seemingly minor variations in the contracts and entity-specific circumstances and it could increase the risk of an entity inappropriately analogising the example to its situation without appropriately considering all the relevant facts and circumstances. In other words, more detailed guidance or additional examples to illustrate application of IFRS 16 might risk becoming overly fact-specific or outdated as transaction structures evolve, and therefore their usefulness for a broader range of stakeholders would likely be limited.

38. The IASB also considered whether simplifying requirements—such as developing an approach to lease term determination based solely on the non-cancellable period—would reduce the need to apply judgement and hence costs. However, in the IASB's view, such an approach might impair the usefulness of the information. In addition, any changes in the requirements would disrupt current practice for all lessees. We also

think that simplifications to the requirements for discount rates and remeasurements of lease liabilities that the IASB will consider in the project to explore cost-reduction measures could reduce the need for judgements in these areas.

39. Therefore, the IASB did not identify sufficient evidence to conclude that any further action would eliminate the need for judgement and that the potential benefits to users would outweigh the associated costs of disruption for lessees. In particular, the IASB observed that:

   (a) the exercise of judgement is a core principle in the application of principles-based Accounting Standards and is necessary to reflect facts and circumstances and changing environments;

   (b) improving the financial information resulting from the application of judgement would be challenging;

   (c) standard-setting cannot resolve matters that indicate non-compliance with the requirements or inappropriate exercise of judgement;

   (d) the requirements of IFRS 16 allow entities to make appropriate judgements and can be applied consistently to entities' different facts and circumstances; and

   (e) it would not be feasible to provide additional guidance to further support consistent application of the requirements to complex leases with entity-specific features.

Usefulness of information about lessees' lease-related cash flows

40. Regarding the usefulness of information about lessees' lease-related cash flows, based on our analysis in [Agenda Paper 7 for the April 2026 IASB meeting](), stakeholders concerns relate to:

   (a) classification of cash flows (and their presentation in the statement of cash flows);

(b) insufficient information about non-cash movements on initial recognition of leases (which affects comparability between lessees and entities that borrow to buy assets); and

(c) fragmentation (and resulting complexity) of cash-flow information.

41. In relation to the classification and presentation of lessees' lease-related cash flows, the IASB observed that it would not be feasible to provide a solution that would meet the information needs of *all* users (or that would be acceptable by all stakeholders) given the differences in stakeholders' views about the nature of lease arrangements (that is, whether they are operating in nature or debt-like transactions).

42. To improve comparability between lessees and entities that borrow to buy assets, a few stakeholders suggested requiring lessees to present non-cash movements on the lease commencement date (that is, cash inflows in financing activities and offsetting cash outflows in investing activities). We note that the feedback that the IASB received in this PIR is similar to the feedback that the IASB received in its Statement of Cash Flows and Related Matters Project, which suggests that matters related to non-cash transactions are important to users, with leases being one of the most commonly identified transactions.

43. Feedback from this PIR (relating to classification and presentation of lease-related cash flows, and non-cash transactions) that we shared with the project team working on the Statement of Cash Flows and Related Matters might provide additional datapoints in their analyses and inform staff recommendations. We note that in that project, the IASB tentatively decided to explore similar matters, including:

(a) exploring amending the principle for classifying cash flows in paragraph 11 of IAS 7 *Statement of Cash Flows* to help entities apply the principle more consistently;

(b) developing potential requirements to specify the content and location of information an entity discloses about non-cash transactions; and

(c) developing potential requirements to strengthen the link between:

(i) the statement of cash flows; and

(ii) information presented or disclosed in other parts of the financial statements in accordance with IFRS Accounting Standards other than IAS 7.

44. In response to the feedback in the PIR of IFRS 16, the IASB tentatively decided to explore in the Statement of Cash Flows and Related Matters project (as part of its work on disaggregation of cash-flows-related information) how to improve the disclosure requirements for total cash outflows for leases, so that lessees provide comparable and complete information about their lease-related cash flows. In our view, this will address users' concerns about the fragmentation of lease-related cash flows and complexity of analysing cash-flow related information.

Income statement expense profile ('front-loading')

45. IFRS 16 replaced the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). This outcome improves comparability with entities that borrow to buy assets—those entities recognise interest expense on borrowings and recognise depreciation of assets purchased on a straight-line basis.

46. As the IASB noted in the Effects Analysis, for an individual off-balance-sheet lease, the expense recognised was typically the same in each period throughout the lease term. In contrast, the pattern of expense recognition for leases applying IFRS 16 depends on the length of the lease term, the timing of lease payments and the rate charged in the lease. Applying IFRS 16, the sum of the interest expense and the depreciation charge during the first half of the lease term is generally expected to be higher than a straight-line expense for off-balance-sheet leases recognised applying IAS 17. The opposite is expected to be true in the second half of the lease term.

47. However, we note that entities typically hold a portfolio of leases at any one time, and the difference in the expense profile between IFRS 16 and IAS 17 was expected to be

insignificant for many entities holding a portfolio of leases that start and end in different reporting periods. In the Effects Analysis the IASB noted that if an entity's lease portfolio is evenly distributed,[2] then the overall effect on the income statement from adopting IFRS 16 is expected to be neutral. If the composition of the portfolio is not evenly distributed, then IFRS 16 may have an effect on an entity's profit or loss. We note, however, that this is typically consistent with the accounting outcome for entities that borrow to buy assets. For example, if an entity is growing and funds its growth by borrowing to buy assets—those companies will generally incur higher interest expense on borrowings in the early years of their growth and recognise depreciation of assets purchased on a straight-line basis.

Concerns about structuring opportunities

48. In response to a few stakeholders' feedback related to structuring opportunities, we acknowledge the concerns. However, in our view, they are not widespread. We note that in reaching its decision about short-term leases, 'the IASB considered the risk that leases could be structured to meet the short-term lease exemption. The IASB concluded that this risk is mitigated by the economic consequences of a short-term lease for a lessor. There would often be an economic disincentive for lessors to grant shorter term leases, because shortening the lease term would increase the risk associated with a lessor's residual interest in the underlying asset. Consequently, the IASB was of the view that a lessor would often either demand increased lease payments from the lessee to compensate for this change in risk or refuse to shorten the non-cancellable period of the lease. In addition, the IASB noted the rigour that lessees are expected to apply when determining the lease term, as described in paragraphs B37–B40 of IFRS 16. This should reduce the risk of non-substantive break clauses being inserted within contracts solely for accounting purposes. The IASB also decided that a lessee should reassess the lease term of a short-term lease by treating it as a new lease if that lease term changes'.[3]

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[2] An evenly distributed portfolio is a portfolio with the same number of leases starting and ending in any one period, with the same terms and conditions.

[3] Paragraph BC94 of the Basis for Conclusions on IFRS 16.

49. In our view, a similar rationale applies to variable lease payments that are excluded from the measurement of the lease liability. Variable lease payments linked to future performance or use could be viewed as a means by which the lessee and lessor can share future economic benefits to be derived from use of the asset (that is, they are a way of sharing risks and profits between a lessee and a lessor) and affect the pricing of lease contracts in such a way, that there would typically be an economic disincentive for a lessee to negotiate variable lease payments simply to avoid recognising a lease liability.

50. Because we expect short-term lease contracts and contracts with variable lease payments to be typically more expensive than other lease contracts, we think lessees would be unlikely to enter into economically less beneficial arrangements solely to achieve a more favourable accounting outcome. This view seems to be supported by the feedback because only a few stakeholders raised concerns about structuring.

Staff conclusion regarding the overall benefits

51. We think that the positive overall feedback from majority of stakeholders is sufficient to conclude that the overall benefits to users are largely as the IASB expected when it issued the Standard.

52. In relation to stakeholders' concerns about the usefulness of information about lessees' lease-related cash flows, we think concerns regarding the classification of lease-related cash flows arise because of different stakeholder views of the nature of these cash flows. The IASB was aware of these different views when issuing IFRS 16 and when deciding how lease-related cash flows should be presented in the statement of cash flows, and we do not think these differing views are likely to be able to be resolved. We also note that some of the concerns (non-cash transactions) are broader concerns than leases. We think that the IASB's decision to provide better transparency of lessees' lease-related cash flows (which could also help those that do not view leases as financing transactions) is a proportionate response to the feedback.

53. In relation to stakeholders' concerns about judgements, in our view, there is not sufficient evidence that the clarity of the requirements in IFRS 16 is the main cause of these concerns. We think that some of the concerns simply highlight that some judgements are difficult because lease contracts are sometimes complex. However, the exercise of judgement is a core principle in the application of IFRS Accounting Standards, including IFRS 16, and we do not think it is feasible to provide suitable guidance for all these circumstances. Our analysis did not indicate a significant diversity in application of IFRS 16 that would have a significant negative effect on the overall quality or comparability of financial information about leases.

54. Overall, despite some concerns about the usefulness of information resulting from application of particular requirements in IFRS 16, we do not think they represent evidence that the overall benefits of IFRS 16 are significantly lower than the IASB expected.

Overall costs

55. Feedback from stakeholders suggests that the costs of implementation of IFRS 16 (initial costs) were high. In our view, this feedback is consistent with the IASB's expectations in the Effects Analysis accompanying IFRS 16—the IASB expected entities with material off-balance-sheet leases (that is, leases classified as operating leases applying IAS 17) to incur costs when implementing IFRS 16.

56. Regarding overall ongoing costs of applying IFRS 16 (and auditing and enforcing its application), we acknowledge some (or many, if measured in relation to those only who commented on overall ongoing costs) stakeholders' concerns that the costs are higher or significantly higher than expected. We note that ongoing costs of applying IFRS 16 depend on several factors, such as size of entities' lease portfolio, industry sector the entity operates in, the complexity of individual lease agreements, the frequency of contract modifications or the occurrence of events that trigger the reassessment of lease liability and IT solutions in place to operationalise IFRS 16 requirements.

IT systems-related costs

57. Many stakeholders (including almost all accountancy bodies, most preparers and many standard-setters) commented on IT systems. They said large licence fees, customisation costs, ongoing maintenance and the initial absence of fully developed solutions have been drivers of both implementation and ongoing costs. Stakeholders said when systems are not fully developed, manual workarounds increase audit effort and recurring expenses.

58. The IASB's expectation relating to ongoing costs of applying IFRS 16 were based on an assumption that an entity has updated its systems to provide the information required by IFRS 16. It is our understanding from the feedback that not all entities have implemented IT solutions to account for leases (or most aspects of lease accounting). Therefore, the need for manual work contributes to stakeholders' concerns about high ongoing costs of applying IFRS 16.

59. However, some stakeholders said that even when entities have implemented sophisticated lease accounting software, there is still some manual work required (such as analysis of contract modifications or sale and leaseback transactions) that cannot be fully automated. In the view of a few stakeholders, the application of IFRS 16 resulted in entities generating higher-than-expected IT costs on an ongoing basis, because some requirements of IFRS 16 are particularly complex to model in IT software (for example, the requirements to determine revised discount rates).

60. A few stakeholders said that many IT systems require particularly costly storage space to maintain large volumes of IFRS 16-related information and to manage disclosure preparation on a regular basis. For example, to provide information that helps users assess lessees' exposure to future cash outflows (arising from extension options that are not reflected in the measurement of lease liabilities), stakeholders said they need to acquire additional storage space to replicate the contractual data from their production database and simulate the exercise of options.

Major cost drivers

61. Stakeholders identified the requirements for remeasurement of lease liabilities and discount rates as major cost drivers. Most stakeholders who commented on the ongoing costs of applying IFRS 16 expressed concerns about the cost–benefit balance of the requirements for remeasurements of the lease liability. Their comments included:

    (a) the frequency of remeasurements is higher than the IASB expected—it is costly but often results in immaterial information;

    (b) determining revised discount rates is costly;

    (c) the requirements are generally complex to understand and apply; and

    (d) accounting for the change in lease payments that depend on an index or a rate contributes to high ongoing costs.

62. Also, many stakeholders from various jurisdictions who commented on the ongoing costs of applying IFRS 16 identified the requirement to determine discount rates (or revised discount rates) as one of the major ongoing cost drivers. They said that the determination and periodic updates of discount rates are complex, involve significant judgement, and in some cases requires the use of external consultants. Stakeholders said this particularly affects entities with activities in multiple jurisdictions and in volatile markets with frequently changing interest rates, or private entities with no observable credit ratings or no debt portfolio that could provide reliable benchmark rates as a starting point.

63. In the Effects Analysis, the IASB noted that the data required to apply IFRS 16 is similar to that needed to provide information to be disclosed for off-balance-sheet leases applying IAS 17, with the exception of needing discount rates to apply IFRS 16. Therefore, due to the need to determine a discount rate, the IASB expected entities with material off-balance-sheet leases to incur costs in measuring lease assets and lease liabilities at the present value of future lease payments.

64. Also, the IASB anticipated in the Effects Analysis that entities would not frequently need to reassess lease liabilities. This expectation was based on simplifications made to the reassessment requirements of IFRS 16 in response to the feedback received during the development of the Standard.[4] Nonetheless, because certain reassessments remain mandatory, the IASB expected some entities to incur ongoing costs to remeasure lease liabilities over the term of the lease. Feedback received in this PIR indicates that remeasurements of lease liabilities occur more frequently than the IASB expected. In our view, this shift is driven by an increasingly volatile global landscape, marked by more frequent geopolitical conflicts, social unrest, and adverse economic conditions. Furthermore, the unprecedented business disruptions of the covid-19 pandemic made applying IFRS 16 highly challenging for lessees worldwide, which has heightened their perception of the ongoing costs associated with the Standard.

65. In response to stakeholders' feedback, the IASB decided to explore cost-reduction measures, for example, by:
   (a) reducing the frequency of remeasurements of the lease liability;
   (b) simplifying the requirements for the reassessment of the lease liability to reflect changes in variable lease payments that are linked to an index or a rate;
   (c) requiring or permitting lessees to use a simplified discount rate instead of the incremental borrowing rate; and
   (d) requiring or permitting lessees to use an unchanged discount rate for some remeasurements of the lease liability.

66. Feedback indicates that stakeholders do not question the conceptual basis for the requirements to determine discount rates or remeasure lease liabilities. We think the

[4] Paragraph BC185 of the Basis for Conclusions on IFRS 16 explains: 'Requiring reassessment at each reporting date would be costly for an entity with many leases that include options. The IASB considered ways in which IFRS 16 could address that concern while still providing useful information to users of financial statements. It decided that an appropriate balance would be achieved by: (a) requiring reassessment only upon the occurrence of a significant event or a significant change in circumstances that affects whether the lessee is reasonably certain to exercise, or not to exercise, an option to extend a lease, to terminate a lease or to purchase an underlying asset. […]. (b) requiring reassessment only if the significant event or significant change in circumstances is within the control of the lessee. Limiting the reassessment requirement in this way means that a lessee is not required to reassess options in response to purely market-based events or changes in circumstances'.

IASB could explore whether the level of precision in these requirements is necessary and whether it is possible to make simplifications to some of these requirements without a significant negative effect on the usefulness of information for users.

Other cost drivers

67. Some stakeholders also commented on other cost drivers (for example, recognition exemptions and disclosure requirements). However, stakeholders' feedback did not provide evidence that these requirements were a significant driver of high ongoing costs and therefore the IASB tentatively decided not to explore them as part of the cost-reduction measure project.

Staff conclusion regarding the overall costs

68. In our view, the major cost drivers of significantly higher-than-expected overall ongoing costs are confined to the requirements in IFRS 16 for discount rates and remeasurements of lease liabilities. The IASB tentatively decided to explore potential cost-reduction measures in these two areas. We think the IASB's response to the feedback is proportionate and is targeted to the specific requirements that contribute to higher-than-expected ongoing costs.

69. Notwithstanding stakeholders' concerns relating to the requirements for remeasurements of lease liabilities and discount rates, considering stakeholders' feedback on *overall* ongoing costs of applying all the requirements in IFRS 16, we think it is reasonable to conclude that the overall ongoing costs of applying *IFRS 16 as a whole* are not significantly higher than expected and the overall benefits for users justify these costs. [emphasis added]

IFRS 16 overall

70. The IASB discussed responses to Questions 2–6 at its previous meetings. We note that feedback to these specific questions overlaps in many aspects with stakeholders' overall views of IFRS 16 and in many cases stakeholders' views on specific questions in the RFI determine their overall views on the Standard. For example, the ongoing

costs of applying the measurement requirements in IFRS 16 are not the only area contributing to overall ongoing costs of applying the Standard but based on the feedback it is the major cost driver. Similarly, stakeholders' views on the usefulness of information resulting from lessees' application of judgement in key areas, such as determination of lease terms and discount rates, influences their feedback on the overall benefits of IFRS 16, such as comparability and transparency of information about leases.

71. In our view, despite some remaining application questions there are no fatal flaws or fundamental questions about the clarity and suitability of the requirements in IFRS 16. We also note that with a few exceptions (see paragraph 14) stakeholders generally said the IASB should avoid any major changes to the Standard (see also paragraphs 45–47).

72. We think the positive feedback from most stakeholders (including many users) indicates that IFRS 16 meets its objective of providing relevant information that faithfully represents leases and this information gives a basis for users to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

73. Despite some concerns that the IASB deliberated at its meetings in March, April and June 2026, we think that the overall benefits of IFRS 16 (and the improvements to the quality and comparability of financial information about leases) are largely as the IASB expected. Similarly, despite stakeholders' concerns about the costs of applying some specific requirements of the Standard, we think it is reasonable to conclude that the overall ongoing costs of applying *IFRS 16 as a whole* are not significantly higher than expected and the overall benefits for users justify these costs.

74. Therefore, we think that feedback to the RFI and throughout this PIR provides sufficient evidence to conclude that the requirements in IFRS 16 are *overall* working as intended. In our view, the matters that the IASB has tentatively decided to take action on to improve the cost-benefit balance of some of the requirements of IFRS 16 do not change that overall conclusion.

Other matters

Potential improvements to future transition requirements

75. In the Project Summary and Feedback Statement for this PIR we plan to include some of the most common stakeholders' recommendations for the IASB's consideration in its future standard-setting projects that we discussed with the IASB at its February 2026 meeting (see paragraphs 16–24 of Agenda Paper 7A).

Other application issues

76. The IASB discussed the effects of applying IFRS 16 with other IFRS Accounting Standards and other matters relevant to the assessment of the effects of IFRS 16 at its June 2026 meeting (see Agenda Paper 7A and Agenda Paper 7B).

77. For two of the issues that stakeholders had raised in relation to applying IFRS 16 with other IFRS Accounting Standards, the Committee had recommended the IASB undertake narrow-scope standard-setting—accounting for a rent concession (IFRS 16 and IFRS 9) and a particular corporate wrapper matter (IFRS 16 and IFRS 10).

78. Many stakeholders said they observed diversity in practice accounting for rent concessions and that the IASB should clarify the relationship between the requirements in the two Standards (IFRS 16 and IFRS 9). The feedback to the RFI indicates the matter is still important, especially in times of economically or politically unstable situations, when rent concessions might be granted to lessees more often. The IASB tentatively decided to clarify which Standard (IFRS 9 or IFRS 16) applies to rent concessions (in which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under the contract).

79. In relation to the corporate wrapper matter (sale and leaseback of an asset in a single-asset entity), despite our analysis concluding that the matter is not pervasive, considering feedback in this PIR (and in previous PIRs), as well as the Committee's discussions on this matter, the IASB tentatively decided to consider the priority of the matter together with other corporate wrapper matters in its next agenda consultation.

The IASB decided it necessary to consider corporate wrappers more broadly rather than to deal with one particular corporate wrapper matter in isolation.

80. In relation to the other application issues stakeholders raised about applying IFRS 16, the matters did not meet the criteria for action. They were not pervasive or it was unclear whether they have substantial consequences for users. Therefore, the benefits of any action would be unlikely to justify the costs for entities and the IASB decided not to take any action in response to these other matters.

81. We do not think these other application issues change the conclusions on the overall benefits, overall costs and overall assessment of IFRS 16.

SMEs-related comments

82. In response to stakeholders' feedback related to SMEs, we are planning to summarise this feedback and share it with the staff working on the *IFRS for SMEs* Accounting Standard for their reference and consideration at the next comprehensive review of the *IFRS for SMEs* Accounting Standard.

Staff recommendation and question for the IASB

83. We recommend the IASB conclude that the requirements in IFRS 16 are overall working as intended.

Question 1 for the IASB
Do IASB members agree with the staff recommendation in paragraph 83 of this paper?

Confirming tentative decisions in this PIR

Additional feedback from ASAF

84. The purpose of the session on the PIR of IFRS 16 at the March 2026 ASAF meeting was to obtain ASAF members' comments on:

(a) the summary of feedback on the RFI (paragraph 85); and

(b) the IASB's tentative decisions at its March 2026 meeting (paragraphs 86–92).

ASAF members' comments on the RFI feedback summaries

85. Many ASAF members commented on the feedback summaries provided in the staff papers for the January and February 2026 IASB meetings, saying that the feedback was largely consistent with what these ASAF members had heard from stakeholders in their jurisdictions. Many ASAF members highlighted the importance of some of the matters that the IASB would deliberate at its future meetings, including:

(a) usefulness of information about lessees' lease-related cash flows;

(b) the assessment of control in sale and leaseback transactions;

(c) lack of clarity about how to account for rent concessions;

(d) lack of specific requirements for lessors;

(e) lack of specific guidance for non-cash consideration for leases; and

(f) corporate wrappers.

ASAF members' comments on the IASB's tentative decisions at its March 2026 meeting

86. Many ASAF members commented on and supported the IASB's tentative decision at its March 2026 meeting to explore in a future research project potential cost-reduction measures in relation to the remeasurements of the lease liabilities and discount rates. One member suggested the IASB should not introduce changes that would require changes to entities' accounting systems but should instead focus on the inputs to those systems.

87. Some ASAF members commented on the timing of the future research project to explore the cost-reduction measures and said, in their view, it is a time-sensitive project.

88. Many ASAF members commented on the IASB's tentative decision not to take action in response to feedback about recognition exemptions. These members suggested the IASB improve the effectiveness of the recognition exemption for leases of low value assets—for example, by removing the reference to US$5,000 in paragraph BC100 of the Basis for Conclusions on IFRS 16 and specifying classes of low-value assets that would qualify for the recognition exemption. A few members said recognition exemptions are not a concern in their jurisdictions. Another member said that in response to the FASB's Post-implementation Review of Topic 842 stakeholders said that a specific recognition exemption for leases of low-value leases was not necessary because entities in their jurisdiction apply the overarching materiality concept to identify immaterial leases.

89. One member commented on some of the other findings from the Post-implementation Review of Topic 842 and said that the Private Company Council is exploring whether the lessee accounting model can be simplified for private entities to reduce the ongoing costs and complexity associated with applying those requirements.

90. ASAF members' other comments included:

    (a) comments on simplifying the discount rate requirements in IFRS 16;

    (b) examples of scenarios that require frequent remeasurements of the lease liability; and

    (c) comments on complexity related to elimination of intragroup leases.

91. Many ASAF members commented on the IASB's tentative decision at its March 2026 meeting not to take any action in response to stakeholder feedback on the usefulness of information resulting from lessees' application of judgement. ASAF members' comments included:

    (a) clarifying the requirements is a more effective way of addressing stakeholders' concerns about the usefulness of information than requiring lessees to provide additional disclosures;

(b) the usefulness of information resulting from lessees' application of judgement could be enhanced by requiring lessees to disclose some specific items of information, such as weighted average discount rate;

(c) the IASB's tentative decision to take no action in relation to lease term requirements is reasonable, because lease term determination is no longer a significant matter;

(d) the IASB should provide additional guidance and illustrative examples to support application of the requirements in IFRS 16 that require use of judgement, such as determination of lease terms, discount rates and which variable lease payments to include in the measurement of the lease liability; and

(e) the IASB should be flexible and not necessarily reject stakeholders' suggestions related to lessees' application of judgement yet, because these suggestions are interrelated with the cost reduction measures that the IASB has tentatively decided to explore.

92. For a more detailed feedback summary, see the March 2026 ASAF meeting summary.

Additional feedback from EEG

93. The purpose of the session on the PIR of IFRS 16 at the June 2026 EEG meeting was:

(a) to provide an update on the project;

(b) to seek EEG members' comments and questions on:

(i) the summary of feedback on the RFI (paragraphs 94–95); and

(ii) the IASB's tentative decisions reached by May 2026 (paragraphs 96–104).

EEG members' comments on the RFI feedback summaries

94. Many members commented on the feedback summaries provided in the staff papers for the January and February 2026 IASB meetings. A few members said that the feedback summaries were largely consistent with what these members had heard from stakeholders in their jurisdictions. Others made similar comments about particular parts of the feedback.

95. Many members emphasised the importance of some of the matters that the IASB will deliberate at its future meetings, including:

    (a) lack of clarity in accounting for rent concessions, which leads to diversity in practice, because some entities apply lease modification requirements in IFRS 16 (and decrease the carrying amount of the right-of-use asset) and other entities apply IFRS 9 (and recognise the effect of the rent concession in profit or loss);

    (b) lack of specific requirements for non-cash consideration for leases;

    (c) lack of specific requirements for lessors;

    (d) asymmetry between the accounting models for lessees and lessors in IFRS 16;

    (e) complexity of determining whether the sale has occurred in a sale and leaseback transaction;

    (f) intersection between the requirements in IFRS 16 and other IFRS Accounting Standards in identifying leases in the digital economy, including in Software as a Service arrangements; and

    (g) accounting for subleases.

EEG members' comments on the IASB's tentative decisions at its March and April 2026 meetings

96. Many members commented on the IASB's tentative decision not to take action in response to stakeholders' feedback on the usefulness of information resulting from lessees' application of judgement. These members said that:

    (a) the IASB should clarify the disclosure requirements relating to significant judgements made in determining lease terms, noting that applying the lease term requirements can be challenging in practice and that more specific disclosures could help users better understand the judgements applied by lessees;

    (b) the IASB should consider providing additional application guidance or illustrative examples to help entities apply judgements appropriately; and

    (c) a feasible standard-setting solution that would improve lessees' application of judgements in determining lease terms does not seem to be available.

97. Some members commented more broadly on the usefulness of information resulting from lessees' application of judgement, for example, in determining lease terms or discount rates.

98. One member commented on the IASB's tentative decision to explore requiring lessees to disclose the components of the total cash outflow for leases together with the line item in the statement of cash flows in which each component is presented. In this member's view, the project might be unnecessary or might provide limited benefits.

99. Many members commented on and generally supported the IASB's tentative decision at its March 2026 meeting to explore potential cost-reduction measures in relation to remeasurements of lease liabilities and discount rates.

100. A few members expressed concerns about the IASB's tentative decisions not to take further action in relation to low-value asset recognition exemption (and the reference to US$5,000 in the Basis for Conclusions on IFRS 16) or intragroup leases.

101. One member said lessees applying judgement in identifying leases contributes to high ongoing costs of applying IFRS 16.

102. One member commented on the timing of the future project to explore cost-reduction measures and said the IASB should prioritise it.

103. Another member suggested that the IASB develop policy guidance on transition requirements (including transition reliefs) for use in the IASB's future standard-setting projects to help balance flexibility with concerns about complexity and comparability.

104. For a more detailed feedback summary, see the June 2026 EEG meeting summary.

Staff analysis of the additional feedback

105. We appreciate the additional feedback from the ASAF and the EEG members, which provides useful perspectives on the IASB's tentative decisions reached at its March–June 2026 meetings (see Appendix B). This feedback highlights considerations that were reflected in the agenda papers and discussed by the IASB when reaching those tentative decisions. Accordingly, in our view, those comments do not provide new evidence that would require reconsideration of the IASB's tentative decisions reached to date and we do not recommend any changes to those decisions.

106. We acknowledge some ASAF members' and an EEG member's comments about the priority of the future project to explore cost-reduction measures (see paragraphs 87 and 102). At its March 2026 meeting, the IASB tentatively decided to add the project to its research pipeline. The IASB endeavours to start working on the projects in the project pipeline before its next agenda consultation. At its meeting in September 2025, the IASB decided to revise its approach to the Fourth Agenda Consultation to allow it to undertake a concurrent agenda consultation with the International Sustainability Standards Board in 2027. The IASB also decided to extend the Third Agenda Consultation period until the conclusion of the concurrent agenda consultations in

2028 and use capacity becoming available during that time on existing and new projects.

107. Consequently, the IASB will consider the priority and timing of its pipeline projects, including the project to improve IFRS 16, by exploring cost reduction measures and clarifying the interaction between IFRS 9 and IFRS 16 to account for rent concessions, at a future meeting.

Staff recommendation and question for the IASB

108. Based on our analysis of the additional feedback from ASAF and EEG, considering our analysis of stakeholders' overall assessment of IFRS 16 (see paragraphs 34–83), we recommend the IASB confirm its tentative decisions in this PIR (see Appendix B). Specifically, we recommend the IASB:

(a) add a research project to its project pipeline. The project will explore whether it would be feasible to mitigate the higher-than-expected ongoing costs for lessees of applying the measurement requirements in IFRS 16 without a significant negative effect on the usefulness of lease-related financial information. The project will explore the feasibility of reducing costs relating to:

(i) *remeasurements of the lease liability*—for example, by: (1) reducing the frequency of remeasurements of the lease liability; and (2) simplifying the requirements for the reassessment of the lease liability to reflect changes in variable lease payments that are linked to an index or a rate.

(ii) *discount rates*—for example, by requiring or permitting lessees to use: (1) a simplified discount rate instead of the incremental borrowing rate; (2) and an unchanged discount rate for some remeasurements of the lease liability.

(b) explore (in its project on the Statement of Cash Flows and Related Matters) requiring lessees to disclose the components of the total cash outflow for leases together with the line item in the statement of cash flows in which each component is presented.

(c) add a narrow-scope project to its project pipeline to clarify how a lessee applies the requirements in IFRS 16 and IFRS 9 to account for a rent concession (in which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract). The IASB will undertake this project together with the research project on cost-reduction measures in paragraph 108(a) as a single project to improve IFRS 16.

(d) to consider the priority of a project to explore the effects of applying the requirements in IFRS 16 and IFRS 10 to account for the Sale and Leaseback of an Asset in a Single-asset Entity (currently in the maintenance project pipeline) together with other corporate wrapper matters in its next agenda consultation.

(e) to remove the matter Sale and Leaseback of an Asset in a Single-asset Entity from the maintenance project pipeline.

(f) not to take action on other matters identified by stakeholders in response to Questions 2–6 in the RFI.

Question 2 for the IASB
Do IASB members agree with the staff recommendation in paragraph 108 of this paper?

Appendix A—Findings from the AI-assisted review of lessees' disclosure practices

A1. Agenda Paper 7C for the March 2026 IASB meeting summarises the objective and scope of our AI-assisted review of entities' lease-related disclosure practices, our approach to designing the AI prompts and the limitations of our research. The research focused on the following areas:

(a) significant accounting judgments related to leases;

(b) variable lease payments;

(c) lease modifications, reassessment of lease liabilities and forgiveness of lease payments;

(d) total lease cash outflows;

(e) sale and leaseback transactions; and

(f) the existence of a separate note or section on leases in an entity's financial statements.

A2. We summarised the findings:

(a) for the matters set out in paragraph A1(a)–(c) in paragraphs 16–28 of Agenda Paper 7C for the March 2026 IASB meeting;

(b) for total lease cash outflows (paragraph A1(d)) in paragraphs 48–49 of Agenda Paper 7 for the April 2026 IASB meeting; and

(c) for sale and leaseback transactions (paragraph A1(e)) in paragraph 65 of Agenda Paper 7A for the June 2026 IASB meeting.

A3. This Appendix summarises findings from our review of how lessees meet the disclosure requirement in paragraph 52 of IFRS 16 (to disclose information about leases in a single note or separate section in financial statements).

A4. Of 753 entities analysed:

(a) many disclosed lease-related information in a separate note or a separate section in their financial statements; and

(b) many disclosed lease-related information in various notes or sections. We manually reviewed a subset of entities to determine whether the separate relevant notes (or sections) included cross-references to lease-related information presented elsewhere in the financial statements. Of the 125 entities reviewed, most did not include such cross-references, although some others did.

Appendix B—Summary of the IASB's discussions and tentative decisions to date

B1. This table summarises the questions in the RFI, stakeholders' feedback, and the IASB's discussions and tentative decisions to date.

Question in the RFI	Feedback	Discussions and tentative decisions
Question 2—Usefulness of information resulting from lessees' application of judgement	Many stakeholders who commented on Question 2 generally agreed that the usefulness of financial information resulting from lessees' application of judgement is largely as the IASB expected. However, most stakeholders acknowledged that significant judgements might lead to inconsistent application and reduce comparability between entities. Although many stakeholders agreed that the requirements in IFRS 16 generally provide a clear and sufficient basis for entities to make appropriate judgements, they still suggested the IASB provide additional guidance, illustrative examples and specific disclosure requirements to support consistent application of the requirements and improve comparability.	March 2026: The IASB tentatively decided not to add a research project to its project pipeline to explore making targeted improvements to requirements affecting the usefulness of information resulting from lessees applying judgement—for example, by developing specific requirements for lessees to disclose significant judgements made in determining the lease term and the discount rate. The IASB tentatively decided not to take action in response to other matters related to lessees' judgement that stakeholders raised in response to Question 2 in the RFI.

Question in the RFI	Feedback	Discussions and tentative decisions
Question 3—Usefulness of information about lessees' lease-related cash flows	Many stakeholders commented on the usefulness of information about lessees' lease-related cash flows. Of those stakeholders: (a) many agreed that, overall, the improvements to the quality and comparability of financial information about lease-related cash flows that lessees present and disclose are largely as the IASB expected; and (b) many either explicitly said that the improvements are lower (or significantly lower) than expected or provided mixed feedback.	April 2026: The IASB tentatively decided to explore (in its project on the Statement of Cash Flows and Related Matters) requiring lessees to disclose the components of the total cash outflow for leases together with the line item in the statement of cash flows in which each component is presented. The IASB tentatively decided to take no action in response to other matters raised by stakeholders related to the usefulness of information about lessees' lease-related cash flows, and it directed the staff to share the relevant feedback with the staff working on the Statement of Cash Flows and Related Matters project.
Question 4—Ongoing costs for lessees of applying the measurement requirements	Some stakeholders who commented on Question 4 said the ongoing costs are reasonable. However, most stakeholders who commented on the ongoing costs for lessees of applying the measurement requirements in IFRS 16, expressed concerns about high ongoing costs, with many of	March 2026: The IASB tentatively decided to add a research project to its project pipeline. The project will explore whether it would be feasible to mitigate the higher-than-expected ongoing costs for lessees of applying the measurement requirements in IFRS 16 without a significant negative

Question in the RFI	Feedback	Discussions and tentative decisions
	them saying that the costs are significantly higher than the IASB expected.	effect on the usefulness of lease-related financial information. The IASB tentatively decided to explore the feasibility of reducing costs relating to discount rates and remeasurements of the lease liability. The IASB tentatively decided not to take action in response to other matters raised by stakeholders related to the ongoing costs of applying the measurement requirements.
Question 5—Potential improvements to future transition requirements	Of the many stakeholders who provided feedback to Question 5 in the RFI: (a) most agreed that IFRS 16's transition requirements achieved an appropriate balance between reducing costs for preparers and providing useful information to users; and (b) some said allowing multiple transition options created comparability issues. Many stakeholders provided recommendations for future standard-setting projects, particularly about having multiple transition options. Most of the stakeholders who commented	February 2026: The IASB discussed the feedback to Question 5 in the RFI. The IASB was not asked for any decisions. In the staff's view, no further analysis of the feedback is required and the IASB does not need to discuss this topic any further during phase 2 of the Post-implementation Review of IFRS 16. The staff will consider which messages and suggestions for future standard-setting projects to include in the Project Summary and Feedback Statement on this Post-implementation Review.

Question in the RFI	Feedback	Discussions and tentative decisions
	specifically on having multiple transition options recommended that the IASB should provide flexibility in transition options, while some others expressed concerns about allowing multiple transition options.	
Question 6.1—Applying IFRS 16 with IFRS 9 to rent concessions	Of the many stakeholders who responded to Question 6.1 in the RFI, most said there is still a lack of clarity about the interaction between IFRS 16 and IFRS 9 when a lessee accounts for a rent concession. They said the IASB should clarify the relationship between the requirements in the two Standards. Many stakeholders who responded said they observed diversity in practice resulting from the lack of clarity, with some entities accounting for rent concessions as a lease modification and some as an extinguishment of the lease liability. 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	June 2026: The IASB tentatively decided: (a) to add to its project pipeline a narrow-scope project to clarify how a lessee applies the requirements in IFRS 16 and IFRS 9 to account for a rent concession (in which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract); and (b) to undertake this narrow-scope project together with the research project on cost-reduction measures that the IASB tentatively decided to undertake in response to stakeholders' feedback on ongoing costs for lessees of applying the measurement requirements in IFRS 16 (Question 4 in the RFI).

Question in the RFI	Feedback	Discussions and tentative decisions
	concessions might become common in the future. A few stakeholders in this PIR specifically said the clarification would reduce the effort in resolving the differences in views with auditors and, as a result, would reduce ongoing costs.	
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	Of the many stakeholders who responded to Question 6.2 in the RFI: (a) many said the assessment is often difficult. Some said the 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 said they have not encountered difficulties in the assessment, saying that sale and leaseback transactions are not frequent in their jurisdictions or sectors or that IFRS Accounting Standards provide sufficient guidance. Many of those who responded to Queston 6.2 in the RFI reported diversity in how a seller-lessee makes judgements	June 2026: The IASB tentatively decided to take no action in response to stakeholder feedback on the effects of applying IFRS 16 with IFRS 15 when assessing whether the transfer of an asset in a sale and leaseback transaction is a sale.

Question in the RFI	Feedback	Discussions and tentative decisions
	in assessing the transfer of control in sale and leaseback transactions in specific circumstances.	
Question 6.3—Applying IFRS 16 with IFRS 15 to gain or loss recognition in a sale and leaseback transaction	Of the many stakeholders who responded to Question 6.3 in the RFI: (a) most said restricting the gain or loss in a sale and leaseback transaction provides useful information. (b) some disagreed with restricting the amount of gain or loss in a sale and leaseback transaction. They said the IASB should consider adopting the accounting approach in FASB ASC Topic 842, Leases, because, in their view, this model provides more useful information. Many stakeholders who responded to Question 6.3 in the RFI said that calculations are complex and the requirements are often unclear, including those for leasebacks with variable lease payments that do not depend on an index or a rate. Therefore, in their view, the application of the requirements is costly.	June 2026: The IASB tentatively decided to take no action in response to stakeholder feedback on the effects of applying IFRS 16 with IFRS 15 to gain or loss recognition in a sale and leaseback transaction.

Question in the RFI	Feedback	Discussions and tentative decisions
	Some of those that agreed with the partial gain or loss recognition requirements made suggestions for reducing costs and improving usefulness of information.	
Question 6.4—Other matters relevant to the assessment of the effects of IFRS 16	Some stakeholders said it is unclear whether some arrangements, such as Software as a Service cloud computing arrangements or some digital infrastructure are within the scope of IFRS 16, IAS 38 *Intangible Assets* or are a service contract within the scope of another IFRS Accounting Standard. Some stakeholders suggested the IASB clarify accounting for the sale of a subsidiary and the leaseback of one of its assets (or its only asset). Specifically, the stakeholders said it is not clear whether the entity applies: (a) IFRS 10 or—in accordance with paragraph 99 of IFRS 16—IFRS 15 to determine whether it transferred control of the asset and needs to derecognise the asset; and (b) the requirements for sale and leaseback accounting in paragraphs 100–102A of IFRS 16 and recognises a	June 2026: The IASB tentatively decided: (a) to consider the priority of the effects of applying the requirements in IFRS 16 and IFRS 10 to account for the Sale and Leaseback of an Asset in a Single-asset Entity (currently in the maintenance project pipeline) together with other corporate wrapper matters in its next agenda consultation; and (b) to remove the matter Sale and Leaseback of an Asset in a Single-asset Entity from the maintenance project pipeline. The IASB tentatively decided to take no action in response to stakeholder feedback on the effects of: (a) applying the requirements in IFRS 16 for lessors;

Question in the RFI	Feedback	Discussions and tentative decisions
	‘partial gain’ on the sale of the asset 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 subsidiary. Some stakeholders commented on lessor accounting. Feedback from most of these stakeholders indicates that the fundamental reconsideration of the lessor accounting model is not necessary, but that these stakeholders would instead want the IASB to consider making some targeted improvements. Some stakeholders commented on challenges with identifying a lease and determining whether: (a) the customer or the supplier or a regulator, if applicable, direct the use of an asset. (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. (c) a power purchase agreement is a lease because the contracts are complex and it is not clear whether a	(b) applying the requirements in IFRS 16 for identifying a lease; (c) applying IFRS 16 with IAS 38 to identify leases; (d) applying IFRS 16 with other IFRS Accounting Standards raised by no more than a few stakeholders in response to Question 6.4 in the RFI; and (e) other matters raised by no more than a few stakeholders in response to Question 6.4 in the RFI.

Question in the RFI	Feedback	Discussions and tentative decisions
	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).	