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## Emerging Economies Group meeting

Date	<b>June 2026</b>
Project	<b>Post-implementation Review of IFRS 16 Leases</b>
Topic	<b>Project update</b>
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This paper has been prepared for discussion at a public meeting of the Emerging Economies Group (EEG). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

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## Purpose of this session

1. The staff invites comments and questions from the members of the Emerging Economies Group (EEG) on:
  - (a) the summary of feedback on the [Request for Information Post-implementation Review of IFRS 16 Leases](#) (RFI); and
  - (b) the International Accounting Standards Board's (IASB's) tentative decisions reached by May 2026.
  
2. This paper includes:
  - (a) background information:
    - (i) project objective (paragraphs 3–5);
    - (ii) project update (paragraphs 6–9); and
    - (iii) feedback overview (paragraphs 10–31);
  - (b) the IASB's tentative decisions to date (paragraphs 32–39);
  - (c) next steps (paragraphs 40–41); and
  - (d) questions for EEG members.

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## Background information

### *Project objective*

3. The objective of the Post-implementation Review (PIR) of IFRS 16 is to assess whether the effects of applying the new requirements on users of financial statements (users), preparers, auditors and securities regulators are as intended when the new requirements were developed.
4. A PIR involves assessing whether the new requirements are overall working as intended, that is:
  - (a) the benefits to users of the information arising from applying the new requirements are not significantly lower than was expected; and
  - (b) the costs of applying the requirements and auditing and enforcing their application are not significantly greater than was expected.
5. On 17 June 2025 the IASB published the RFI. It was open for comment for 120 days until 15 October 2025.

### *Project updates*

6. The IASB met on 28 January 2026 to discuss:
  - (a) a summary of the first part of the feedback on the RFI. Agenda Papers included:
    - (i) [Agenda Paper 7 Cover paper](#), which included an overview of the comment letters and outreach that the IASB members and the staff undertook during the comment period for the RFI, and an update on the FASB's Post-implementation Review of Topic 842, Leases.
    - (ii) [Agenda Paper 7A Feedback summary—overall assessment of IFRS 16](#).
    - (iii) [Agenda Paper 7B Feedback summary—usefulness of information resulting from lessees' application of judgement](#).

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- (iv) [Agenda Paper 7C Feedback summary—usefulness of information about lessees’ lease-related cash flows.](#)
  - (v) [Agenda Paper 7D Feedback summary—ongoing costs for lessees.](#)
  - (vi) [Agenda Paper 7E Feedback summary—users of financial statements.](#)
  - (b) a plan for the next phase of the project—see [Agenda Paper 7F Plan for PIR of IFRS 16 phase 2.](#)
7. The IASB met on 25 February 2026 to discuss:
- (a) the remainder of the feedback on the RFI. Agenda Papers included:
    - (i) [Agenda Paper 7A Feedback summary—potential improvements to future transition requirements.](#)
    - (ii) [Agenda Paper 7B Feedback summary—other matters.](#)
  - (b) an updated review of academic literature relevant to the PIR—see [Agenda Paper 7C Academic literature review—update.](#)
8. The IASB met on 24 March 2026 to discuss how to respond to stakeholder feedback on: (a) the ongoing costs for lessees of applying the measurement requirements in IFRS 16 (Question 4 in the RFI); and (b) the usefulness of information resulting from lessees applying judgement (Question 2 in the RFI). Agenda Papers included:
- (a) [Agenda Paper 7 Cover paper.](#)
  - (b) [Agenda Paper 7A Ongoing costs for lessees of applying the measurement requirements in IFRS 16.](#)
  - (c) [Agenda Paper 7B Usefulness of information resulting from lessees’ application of judgement.](#)
  - (d) [Agenda Paper 7C Review of entities’ lease-related disclosure practices.](#)
9. The IASB met on 21 April 2026 to discuss how to respond to stakeholder feedback about the usefulness of information relating to lessees’ lease-related cash flows

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(Question 3 in the RFI). For more details, see [Agenda Paper 7 Usefulness of information about lessees' lease-related cash flows](#).

### **Feedback overview**

#### *Question 1 in the RFI—Overall assessment of IFRS 16*

10. Almost all stakeholders provided their overall views on IFRS 16. Of those stakeholders:
  - (a) most said IFRS 16 is meeting (or largely meeting) its objective and its core principles are clear (that is, they provided positive overall feedback);
  - (b) some said the Standard is not meeting its objective, because it fails to provide useful information that would faithfully represent the economics of leases (that is, they provided negative overall feedback); and
  - (c) some provided mixed overall feedback.
11. Most stakeholders commented on the overall improvements to the quality and comparability of financial information about leases and most of them agreed that the overall improvements are largely as expected. 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.
12. Many preparers from various regions said it is unclear what the benefits of IFRS 16 are and whether the information is useful.
13. Many stakeholders commented on the overall ongoing costs of applying the requirements in IFRS 16 and auditing their application. Most of them expressed concerns about high ongoing costs, with many saying that they are significantly higher than the IASB expected.

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*Question 2 in the RFI—Usefulness of information resulting from lessees' application of judgement*

14. Most stakeholders provided feedback on Question 2 in the RFI and many of them generally agreed that the usefulness of financial information resulting from lessees' application of judgement is largely as the IASB expected.
15. However, most stakeholders, including most users, acknowledged that significant judgement required in determining the lease term, incremental borrowing rate or which variable lease payments to include in the lease liability, might lead to inconsistent application and reduce comparability between entities.
16. 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.
17. Some stakeholders said the requirements in IFRS 16 do not provide a clear or sufficient basis for entities to make appropriate judgements and asked the IASB to consider clarifying and simplifying requirements, providing additional guidance and enhancing disclosure requirements.
18. Examples of clarifications and additional guidance that stakeholders requested include guidance on assessing the 'reasonably certain' threshold when determining lease term or clarifying how to interpret 'genuine variability' and 'no genuine possibility of not occurring' when determining whether a lease payment is in-substance fixed. Suggestions of disclosure requirements include explicitly requiring lessees to disclose information about judgements and assumptions in determining lease terms or requiring lessees to disclose weighted-average discount rates used and the methodology used in determining incremental borrowing rates.
19. A few stakeholders who commented said the subjective judgements made by lessees, particularly in determining lease terms and incremental borrowing rates, lead to

significant variability in how similar leases are reported. Therefore, they disagreed with the statement that the usefulness of financial information resulting from lessees' application of judgements is largely as the IASB expected.

20. However, a few other stakeholders, including a few users, said:
- (a) the exercise of judgement is a core principle in the application of principles-based 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; and
  - (e) no additional guidance is necessary.

*Question 3 in the RFI—Usefulness of information about lessees' lease-related cash flows*

21. 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.
22. Some stakeholders commented specifically on the interaction between this PIR and the IASB's research project on the Statement of Cash Flows and Related Matters saying that the IASB should consider their feedback in that research project.

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*Question 4 in the RFI—Ongoing costs for lessees of applying the measurement requirements*

23. Many stakeholders (including almost all standard-setters, many preparers, most accounting firms and many accountancy bodies) commented on ongoing costs for lessees of applying the measurement requirements in IFRS 16. Of those who commented, some stakeholders said ongoing costs are reasonable. However, most stakeholders (including almost all preparers, most standard-setters, most accountancy bodies and many accounting firms), who commented on ongoing costs of applying IFRS 16, expressed concerns about high ongoing costs, with many saying that the costs are significantly higher than the IASB expected. Stakeholders said entities in lease-intensive industries, entities with complex lease portfolios or entities that have to manage leases in multiple subsidiaries or business units are among the most affected.
24. Many stakeholders, who commented on ongoing costs of applying IFRS 16, find many aspects of the Standard very complex to apply, in particular those requiring significant judgements. Therefore, stakeholders said entities incur high costs of continuous training of personnel across different functions and sometimes have to engage external consultants to assist with applying the measurement requirements in IFRS 16.
25. Suggestions stakeholders had for responding to their concerns about high ongoing costs include:
- (a) reducing the frequency of when the lease liability is required to be remeasured;
  - (b) permitting an entity to use an unchanged discount rate when remeasuring lease liabilities for those reassessments and lease modifications that currently require the use of a revised discount rate;
  - (c) permitting a lessee to use a risk-free rate, a rate of the parent or an obtainable borrowing rate;
  - (d) increasing the scope of the recognition exemptions; and

- (e) removing some of the disclosure requirements from IFRS 16.

*Question 5 in the RFI—Potential improvements to future transition requirements*

26. Many stakeholders provided feedback to Question 5 in the RFI. Of those stakeholders:
- (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.
27. 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.

*Question 6 in the RFI—Other matters relevant to the assessment of the effects of IFRS 16*

28. Many stakeholders commented on the interaction between IFRS 16 and IFRS 9 *Financial Instruments* when a lessee accounts for a rent concession. Most of them said there is a lack of clarity and suggested the IASB provide guidance that would reduce diversity in practice.
29. Many stakeholders commented on applying IFRS 16 with IFRS 15 *Revenue from Contracts with Customers* in assessing whether the transfer of an asset in a sale and leaseback transaction is a sale. Many of those who commented reported diversity in how a seller-lessee makes judgements and suggested the IASB improve guidance on the matter or develop clearer requirements.
30. Many stakeholders commented on the usefulness of information resulting from application of partial gain or loss recognition requirements in a sale and leaseback

transaction. Most of them said restricting gains or losses in a sale and leaseback transaction provides useful information, even though many of those stakeholders highlighted the complexity and high cost of implementing the model. Some of those who commented on the matter disagreed with restricting the amount of gain or loss.

31. Many respondents raised concerns about other matters such as:
- (a) lessor accounting;
  - (b) determining the scope of IFRS 16 and identifying a lease; and
  - (c) corporate wrappers.

## The IASB's tentative decisions to date

### *Question 2 in the RFI—Usefulness of information resulting from lessees' application of judgement*

32. 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:
- (a) the lease term; and
  - (b) the discount rate.
33. 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 Request for Information. Specifically, the IASB tentatively decided:
- (a) not to provide additional guidance or illustrative examples for determining the lease term;
  - (b) not to simplify the requirements for determining the lease term;

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- (c) not to develop specific requirements for lessees to disclose items of information related to the lease term;
  - (d) not to provide additional guidance or illustrative examples for determining discount rates;
  - (e) not to develop specific requirements for lessees to disclose items of information related to the discount rate;
  - (f) not to develop specific disclosure requirements for variable lease payments;
  - (g) not to provide clarifications, additional application guidance or illustrative examples to help entities determine whether some lease payments are:
    - (i) in-substance fixed lease payments;
    - (ii) variable lease payments that depend on an index or a rate; or
    - (iii) variable lease payments that do not depend on an index or a rate; and
  - (h) not to take action in response to other judgement-related matters raised by a few stakeholders in response to Question 2 in the RFI and summarised in Appendix A to [Agenda Paper 7B for the March 2026 IASB meeting](#).

*Question 3 in the RFI—Usefulness of information about lessees' lease-related cash flows*

- 34. 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.
- 35. The IASB tentatively decided to take no action in response to stakeholder feedback on:
  - (a) the classification and presentation of lease-related cash flows by lessees; and
  - (b) the lack of comparability between the cash flows of lessees and those of entities that borrow to buy assets.

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36. The IASB directed the staff to share the feedback described in paragraph 35(a) and (b) with the staff working on the project on the Statement of Cash Flows and Related Matters.
37. 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.

*Question 4 in the RFI—Ongoing costs for lessees of applying the measurement requirements*

38. 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 effect on the usefulness of lease-related financial information. The IASB tentatively decided to explore the feasibility of reducing costs relating to:
- (a) remeasurements of the lease liability—for example, by:
    - (i) reducing the frequency of remeasurements of the lease liability; and
    - (ii) 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; and
  - (b) discount rates—for example, by requiring or permitting lessees to use:
    - (i) a simplified discount rate instead of the incremental borrowing rate; and
    - (ii) an unchanged discount rate for some remeasurements of the lease liability.
39. The IASB tentatively decided not to take action in response to stakeholder feedback on costs for lessees arising from:

- (a) the clarity of guidance for remeasurements of the lease liability;
- (b) the requirement to use the rate implicit in the lease;
- (c) the clarity of guidance for determining discount rates;
- (d) recognition exemptions;
- (e) disclosure requirements;
- (f) the clarity of guidance for portfolio application of IFRS 16;
- (g) intragroup leases; and
- (h) the requirements for determining lease terms.

## Next steps

- 40. The IASB will deliberate feedback on Question 1 and Question 6 in the RFI and decide whether to take any action in response to that feedback.
- 41. We expect the IASB to finalise its decisions in the third quarter of 2026. At the end of the PIR, the IASB will publish a project summary and feedback statement summarising its findings and any next steps.<sup>1</sup> We expect the project summary and feedback statement to be published before the end of 2026.

### Questions for EEG members

- 1. Do EEG members have any comments or questions on the summary of the feedback on the RFI that the IASB discussed at its meetings in [January 2026](#) and [February 2026](#)?
- 2. Do EEG members have any comments on the IASB's tentative decisions reached at its meetings in [March 2026](#) and [April 2026](#)?

<sup>1</sup> In accordance with paragraph 6.66 of the IFRS Foundation [Due Process Handbook](#) the IASB reports regularly to the IFRS Foundation Trustees' Due Process Oversight Committee (DPOC) during the period of a post-implementation review. The IASB informs the DPOC when it has completed its review and provides the DPOC with a draft of the project summary and feedback statement. When the DPOC is satisfied that the IASB has completed the review satisfactorily, the project summary and feedback statement can be finalised.