
IASB® meeting

Date	June 2026
Project	Post-implementation Review of IFRS 16 Leases
Topic	Other matters relevant to the assessment of the effects of IFRS 16 Ozlem Arslan (ozlem.arslan@ifrs.org)
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Purpose and structure of this paper

1. At its meeting in February 2026, the International Accounting Standards Board (IASB) discussed [the summary of stakeholders' feedback](#) to Question 6.4 in the [Request for Information Post-implementation Review of IFRS 16 Leases](#) (RFI), which sought information about other matters relevant to the assessment of the effects of IFRS 16 (other matters).
2. At this meeting, the IASB will discuss our analysis of the feedback on other matters and decide how to respond to that feedback. In developing our recommendations, we applied a framework for responding to the matters identified in a post-implementation review (PIR), published on the IASB's website: [IASB post-implementation reviews](#).
3. This paper is structured as follows:
 - (a) summary of staff recommendations (paragraph 4);
 - (b) introduction to staff analysis (paragraphs 5–8);
 - (c) lessor accounting (paragraphs 9–29);
 - (d) identifying a lease (paragraphs 30–46);

- (e) Appendix A—Other matters raised by no more than a few stakeholders in response to Question 6.4 in the RFI; and
- (f) Appendix B—Extracts from the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC Topic 842 Leases (Topic 842)).

Summary of staff recommendations

4. Based on our analysis in this paper, we recommend the IASB take no action in response to stakeholders' feedback on the effects of:
 - (a) applying the requirements in IFRS 16 for lessors;
 - (b) applying the requirements for identifying a lease; and
 - (c) other matters raised by no more than a few stakeholders in response to Question 6.4 in the RFI (see Appendix A).

Introduction to staff analysis

5. 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. 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
 - (b) the costs of applying the requirements and auditing and enforcing their application are not significantly greater than was expected.

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6. Respondents to Question 6.4 in the RFI commented mainly on the effects of applying the requirements in IFRS 16 for¹:
- (a) lessors; and
 - (b) identifying a lease.
7. Stakeholders' feedback on other matters identified application matters that may result in application challenges, diversity in practice or additional costs. Therefore, in the remainder of this paper, we analyse whether to take any action in relation to the identified matters and how to prioritise those matters, depending on the extent to which evidence gathered during the PIR indicates that:
- (a) the matter has *substantial consequences* (for example, widespread diversity in practice materially affects users of financial statements' (users') ability to analyse trends and compare entities);
 - (b) the matter is *pervasive* (for example, it affects transactions that occur frequently in various industries and jurisdictions);
 - (c) the matter arises from a financial reporting issue that *can be addressed* by the IASB or the IFRS Interpretations Committee (Committee)—that is, a feasible solution is likely to exist; and
 - (d) the benefits of any action are expected to *outweigh the costs* (considering the extent of disruption to current practice and operational costs from change in the light of the importance of the matter to users).
8. Appendix A summarises matters raised by more than one, but no more than a few stakeholders in response to Question 6.4 in the RFI. We do not recommend taking action on any of these matters because the feedback does not provide evidence of the matters meeting the criteria in paragraph 7(a)–(d). In particular, the feedback does not suggest that the matters are pervasive, have substantial consequences for users or that the benefits of any actions would justify the costs.

¹ Many stakeholders also raised comments relating to the recognition exemptions. We analysed these comments in [Agenda Paper 7A Ongoing costs for lessees applying the measurement requirements in IFRS 16](#) for the March 2026 IASB Meeting.

Lessor accounting

What does IFRS 16 require

9. The requirements for lessors are included in paragraphs 61–97 of IFRS 16. IFRS 16 does not substantially change how a lessor accounts for leases as compared to IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. This is because the IASB decided to carry forward the lessor accounting model in IAS 17 mainly because most stakeholders were of the view that lessor accounting in IAS 17 was not ‘broken’.
10. Paragraphs BC57–BC66 of the Basis for Conclusions on IFRS 16 discuss the basis for the IASB’s decision. The IASB also considered concerns about the asymmetrical accounting for lessees and lessors, and suggestions for additional specific requirements for lessors when developing IFRS 16. As explained in paragraph BC61 of the Basis for Conclusions on IFRS 16, when the IASB was developing IFRS 16, stakeholders observed that:
 - (a) the lessor accounting model in IAS 17 was well understood.
 - (b) the lessor accounting model in IAS 17 already provided users with the information that they needed. In addition, investors generally analyse the financial statements of individual entities (and not a lessee and lessor of the same underlying asset). Accordingly, it is not essential for the lessee and lessor accounting models to be symmetrical.
 - (c) in contrast to lessee accounting, lessor accounting in IAS 17 was not fundamentally flawed and should not be changed solely because of the changes to lessee accounting.
11. Compared to IAS 17, IFRS 16 requires a lessor to provide some additional disclosures to enable users to better evaluate the uncertainty of cash flows associated with the lessor’s leasing activities, including information:
 - (a) about the components of lease income recognised in the reporting period;

- (b) about how the lessor manages its exposure to residual asset risk (the risk associated with any rights that it retains in leased assets); and
- (c) required by IAS 16 *Property, Plant and Equipment* separately for assets subject to operating leases—further distinguished by significant classes of underlying assets (for example, leased cars, leased buildings or leased IT equipment)—from owned assets that are held and used by the lessor for other purposes.

What do stakeholders say?

12. Some stakeholders (mostly standard-setters, accountancy bodies and accounting firms) 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.
13. Of all stakeholders who provided feedback to the RFI:
 - (a) a few commented on the interaction of the requirements for lessors in IFRS 16 with the requirements in other IFRS Accounting Standards, particularly where there is lack of detailed requirements (see Appendix A to Agenda Paper 7A for this meeting);
 - (b) a few raised concerns about the lack of detailed requirements in IFRS 16 for lessors compared to the detailed specific requirements for lessees (paragraphs 14–15);
 - (c) a few commented on the asymmetry between the lessee and lessor accounting model (paragraph 16); and
 - (d) stakeholders raised other concerns about lessor accounting, each of which was raised by more than one but no more than a few stakeholders (paragraph 17).
14. The concerns about the lack of detailed requirements mainly relate to the application of the finance lease requirements. Stakeholders asked, for example, whether lessors should analogue to the requirements for lessees after the commencement date of the

- lease and remeasure the net investment in the lease for variable lease payments that depend on an index or a rate (or for a change in the lease term), whether in such cases to use an unchanged or a revised discount rate, and whether a change in the lease term should result in the reassessment of residual values.
15. Some stakeholders that raised the concerns in paragraph 14 said they have observed diversity in practice due to a lack of clear guidance for lessor accounting and suggested that the IASB consider providing additional requirements or guidance (or both). A few stakeholders said the enhanced guidance in IFRS 16 for lessees has increased scrutiny of lessor accounting, revealing several gaps requiring attention and two stakeholders recommended that the IASB consider undertaking a project with the objective of developing more detailed requirements for lessors.
16. The stakeholders who raised concerns about the asymmetry between the lessee and lessor accounting models said that this asymmetry causes issues, for example, in accounting for sale and leaseback transactions, subleases and intercompany leases. One stakeholder recommended evaluating the possibility of aligning or harmonising the lessee and lessor accounting models to improve consistency and reduce complexity. Another stakeholder said that applying the lessee accounting requirements to head leases and the lessor accounting requirements to subleases may result in significant timing differences between the recognition of lease-related expenses and sublease income. This stakeholder said that the resulting accounting outcomes may not faithfully represent the performance of its business and suggested that the IASB consider providing specific requirements for subleases.
17. Other than concerns about the lack of detailed requirements for lessors or asymmetry between the lessee and the lessor accounting models, stakeholders—for each issue, more than one but no more than a few stakeholders—raised concerns about:
- (a) the requirement to separate lease and non-lease components, particularly in real estate leases. In these stakeholders' view, separation provides little or no useful information to users (who focus on total lease revenue) and leads to unnecessary operational burden. They suggested the IASB provide a practical expedient similar to that in FASB ASC paragraph 842-10-15-42A (see

paragraph B1 of Appendix B), which permits lessors not to separate specific lease and non-lease components.

- (b) the accounting for variable lease payments (that are not linked to an index or a rate) by lessors or intermediate lessors. In these stakeholders' view, there are inappropriate accounting outcomes when lessors or intermediate lessors recognise day one gains or losses. One example of this typically occurs when the lease payments of the head lease are fully variable (and do not depend on an index or a rate) and those of the sublease (if classified as finance lease) are fixed lease payments, which results in a day-one gain. Another example would be if a lessor enters into a finance lease for all or nearly all of the remaining life of an asset and the rentals payable in the lease are fully variable. The lessor would derecognise the underlying asset (since it would be a finance lease) but the net investment in the lease would not include the variable lease payments that are not linked to an index or a rate, which results in a day-one loss. Some of these stakeholders suggested the IASB develop requirements for intermediate lessors that would be similar to those in FASB ASC paragraph 842-10-25-3A (see paragraph B2 of Appendix B), which requires lessors to classify a lease as an operating lease if another classification would result in the recognition of a selling loss.
- (c) limited guidance on subleases and the application of lessor requirements by intermediate lessors, including the accounting for residual values, reassessment or remeasurement of subleases when the head lease is modified or renewed, and the recognition of finance income when the net investment in a sublease becomes credit impaired.
- (d) lease classification, specifically, whether a lessor should reassess lease classification when a lease is modified or when a lessee exercises a renewal option that had not been considered reasonably certain at inception, and whether such changes could result in an operating lease being reclassified as a finance lease.

- (e) whether a lessor-held fixed-price put option should be reflected in lease payments and included in the measurement of the lease receivable, noting that IFRS 16 does not provide explicit guidance and that different approaches are observed in practice.

Staff analysis

Does the matter have substantial consequences?

18. Some stakeholders commented on lessor accounting. Feedback from only some of these stakeholders suggests that there is diversity in practice resulting from the lack of specific enough requirements for lessors. Stakeholders provided limited evidence that these matters have substantial consequences for users. In addition, users did not identify this matter as important to them. Therefore, in our view the criterion in paragraph 7(a)—the matter has *substantial consequences*—is not met.

Is the matter pervasive?

19. Some stakeholders who commented on lessor accounting (mostly standard-setters, accountancy bodies and accounting firms)—that is, a few stakeholders of all stakeholders who provided feedback to this PIR—raised a variety of concerns relating to lack of specific enough requirements for lessors and whether in such cases to analogise to the requirements for lessees. We acknowledge that the introduction of more detailed requirements for lessees in IFRS 16 has given rise to questions from a few stakeholders about whether lessors should analogise to those requirements in particular circumstances. However, in our view, this feedback does not call into question the suitability of the requirements for lessors or the IASB's decision, when developing IFRS 16, to substantially retain the lessor accounting requirements from IAS 17. Based on the feedback, we think that the lack of specific requirements for lessors is not a pervasive cost driver for entities across industries or jurisdictions. In addition, only a few stakeholders raised concerns about the asymmetry between the lessee and lessor accounting model and other concerns in paragraph 17.

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20. We did not identify evidence suggesting that these matters are pervasive for lessors or have a high potential of becoming pervasive. Therefore, in our view, the criterion in paragraph 7(b)—the matter is pervasive—is not met.

Can the issue be addressed and will the benefits of the change outweigh the costs?

21. Most stakeholders who commented on lessor accounting suggested targeted clarifications, additional application guidance or illustrative examples intended to reduce diversity in practice. The matters raised by stakeholders mainly relate to lessors' subsequent measurement of leases (for example, with variable lease payments that depend on index or rate) and whether to analogise to lessee accounting requirements when there is lack of specific guidance. However, except for a few, stakeholders did not ask for a comprehensive reconsideration of the lessor accounting model in IFRS 16 and did not suggest that the lessor accounting model is flawed.
22. Feedback to the RFI is largely consistent with the feedback that the IASB received before publishing the RFI and which it discussed at its [March 2025 meeting](#). At that meeting, the IASB decided not to include in the RFI a question asking stakeholders whether they have identified potential unintended consequences (such as widespread diversity in accounting practice) that the amendments to the lessee accounting model might have caused to the lessor accounting model.
23. The IASB considered concerns about the asymmetrical accounting for lessees and lessors, and suggestions for additional specific requirements for lessors, when developing IFRS 16 and set out their reasoning in paragraph BC61 of the Basis for Conclusions on IFRS 16 (see paragraph 10 for further details).
24. In developing IFRS 16, the IASB considered whether to change the lessor accounting model. However, the feedback received at that time highlighted that the majority of stakeholders did not support changing the lessor accounting model in IAS 17. The IASB also observed that most users did not adjust lessors' financial statements for the effects of leases and that symmetrical accounting between lessees and lessors was not considered essential. Consequently, IFRS 16 substantially carried forward the lessor

- accounting requirements in IAS 17, with the exception of requirements for the definition of a lease, initial direct costs and lessor disclosures.
25. We think that the feedback received in response to the RFI does not appear to challenge the IASB's rationale when it developed IFRS 16. In our view, there is no new evidence requiring reconsideration of the IASB's previous decisions.
26. We acknowledge that the matters raised by stakeholders in response to the RFI indicate that there might be circumstances in which additional guidance would be helpful because there are no specific requirements for lessors in IFRS 16. However, in our view, these circumstances are not widespread and do not affect lessors in general. In addition, lessors would have been required to apply judgement in accounting for many of these matters under IAS 17, and IFRS 16 did not fundamentally reconsider the lessor accounting model. We also observe that some accounting firms consider the different approaches an entity can take to account for these matters to be an accounting policy choice, which suggests that clarifying whether entities may analogise to lessee requirements could result in disruption to existing practice. Therefore, the benefits of any action are not likely to justify the costs of changes that would affect all lessors (because they would need to review their current accounting practices to determine whether they are affected by any new requirements or guidance).
27. The matters described in paragraph 17 were each raised by only a few stakeholders and generally related to specific fact patterns or transaction structures. Although stakeholders suggested targeted amendments or additional guidance, the feedback did not indicate that these matters are widespread or that they question the overall lessor accounting model. Accordingly, we did not identify sufficient evidence that the benefits of standard-setting activity would outweigh the associated costs.
28. Based on our analysis, matters identified by stakeholders could potentially be addressed by developing specific requirements or providing application guidance (for example, similar to that in Topic 842). In particular, the IASB could clarify whether lessors should apply or analogise to requirements developed for lessees in particular circumstances. However, stakeholders did not identify a common concern or a

preferred approach to such guidance. In addition, most other matters (such as the asymmetry between the lessee and lessor accounting) were raised by only a few stakeholders. Therefore, although many of the matters might be capable of being addressed by the IASB, we do not think that the benefits of any action would outweigh the associated costs. Accordingly, the criterion in paragraph 7(c) is likely met but the criterion in paragraph 7(d) is not.

Staff recommendation and question for the IASB

29. For the reasons discussed in paragraphs 18–28, we recommend the IASB take no action in response to stakeholders’ feedback on the effects of applying the requirements for lessors.

Question 1 for the IASB

Do IASB members agree with the staff recommendation in paragraph 29 of this paper?

Identifying a lease

What does IFRS 16 require?

30. IFRS 16 requires an entity to assess whether a contract is (or contains) a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.²
31. IFRS 16 retained the definition of a lease in IAS 17 but changed the guidance setting out how to apply it. The changes to the guidance on the definition in IFRS 16 were not expected to affect conclusions about whether contracts contain a lease for the vast majority of contracts (that is, at the time of issuing IFRS 16, a lease applying IAS 17 was generally expected to be a lease applying IFRS 16).

² Paragraphs 9–11 and B9–B31 of IFRS 16.

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32. Lease and non-lease components are often combined in a contract and the accounting for lease and non-lease components is different. Therefore, IFRS 16 also addresses the separation of lease and non-lease components of contracts and IFRS 16 applies only to leases, or lease components of a contract.³

What do stakeholders say?

33. Some stakeholders commented on the requirements for identifying a lease. Comments on challenges with identifying a lease included determining whether:
- (a) the customer or the supplier or a regulator, if applicable, direct the use of an asset—for example, a few parties could be involved in the design of the asset in a way that predetermines how and for what purpose the asset is used throughout the lease period.
 - (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. Two lessor preparer organisations from Europe suggested the IASB consider clarifying how these requirements apply to some arrangements in the circular economy and expressed concerns that ‘Asset as a Service’ arrangements⁴ might fall within the scope of IFRS 16.
 - (c) a power purchase agreement is a lease because the contracts are complex and it is not clear whether a customer has the right to obtain substantially all the economic benefits from, and to direct the use of, an identified asset (for example, solar power equipment).
34. A few stakeholders provided more general comments on distinguishing between a lease and a service contract.
35. Most stakeholders who commented on challenges with identifying a lease suggested the IASB add clearer guidance or illustrative examples.

³ Paragraphs 12–17 and B32–B33 of IFRS 16.

⁴ An arrangement that provides a customer with an access to the use of assets via a subscription to a cloud service platform.

Staff analysis*Does the matter have substantial consequences?*

36. Feedback from some stakeholders suggests that in some circumstances it might be difficult to identify a lease, particularly for emerging types of contracts or more complex arrangements, such as power purchase agreements and ‘Asset as a Service’ arrangements. Some of these stakeholders noted challenges in applying judgement when assessing substitution rights and determining who directs the use of an asset.
37. We acknowledge that determining whether a contract contains a lease or is a service contract can have significant accounting consequences. However, the feedback received did not provide evidence of widespread diversity in practice or did not indicate that any such diversity is significantly affecting users. The feedback was generally limited to requests for clearer guidance or illustrative examples, and stakeholders provided limited evidence that these matters have substantial consequences for users. We also did not receive any feedback on this matter from users. Therefore, in our view, the criterion in paragraph 7(a)—the matter has substantial consequences—is not met.

Is the matter pervasive?

38. Some stakeholders raised a range of concerns relating to identifying a lease, including questions about substitution rights, who directs the use of an asset, and the assessment of more complex arrangements such as power purchase agreements and ‘Asset as a Service’ arrangements. However, each individual matter was generally raised by only a few stakeholders, and the feedback did not indicate that any single issue represented a common or widespread concern among entities applying IFRS 16.
39. In addition, many of the matters that stakeholders raised appear to relate to specific arrangements or emerging transactions that require significant judgement. We did not identify evidence suggesting that matters raised by stakeholders are pervasive or have a high potential of becoming pervasive. Therefore, in our view, the criterion in

paragraph 7(b)—the matter is pervasive or has a high potential of becoming pervasive—is not met.

Can the issue be addressed and will the benefits of the change outweigh the costs?

40. Most stakeholders who commented on identifying a lease suggested that the IASB should provide clearer guidance or additional illustrative examples. Feedback indicates that challenges in identifying a lease mostly relate to the application of the requirements to unique or complex contracts. In our view, the nature of stakeholders' comments suggests that these challenges might arise because of specific facts and circumstances surrounding the contracts and they do not seem to be pervasive. We did not identify fundamental questions about the definition of a lease or widespread concerns about the overall suitability of the requirements.
41. We note that IFRS 16 retained the definition of a lease in IAS 17 but changed the guidance. The changes mainly relate to the concept of control used within the definition. The changes to the guidance on the definition in IFRS 16 were not expected to affect conclusions about whether contracts contain a lease for the vast majority of contracts—a lease applying IAS 17 was generally expected to be a lease applying IFRS 16.⁵ The IASB added application guidance to make it easier for entities to make assessments whether contracts contain a lease for more complicated scenarios—paragraphs B9–B31 of IFRS 16 provide application guidance for identifying a lease.⁶
42. In developing IFRS 16, the IASB revised and expanded the application guidance on identifying a lease, including adding illustrative examples for more complex arrangements. Examples 1–10 accompanying IFRS 16 illustrate how an entity might apply the requirements in IFRS 16 to identify a lease, including in a contract for energy/power (Example 9) and in a contract for network services (Example 10).

⁵ Page 11 of the [Effects Analysis](#) accompanying IFRS 16.

⁶ Paragraph BC109 of the Basis for Conclusions on IFRS 16.

43. Since IFRS 16 was issued, the Committee has received several questions relating to identifying a lease, including questions about who directs the use of an identified asset, whether a customer obtains substantially all of the economic benefits from use of an identified asset, and how to assess substitution rights. These questions included arrangements involving ships, battery offtake arrangements and contracts involving multiple similar assets. The Committee has published five agenda decisions which explain how an entity might apply the requirements in IFRS 16 to identify a lease:
- (a) [Economic Benefits from Use of a Battery under an Offtake Arrangement \(IFRS 16\)—April 2026](#);
 - (b) [Definition of a Lease—Substitution Rights \(IFRS 16\)—April 2023](#);
 - (c) [Economic Benefits from Use of a Windfarm \(IFRS 16\)—November 2021](#);
 - (d) [Definition of a Lease—Decision-making Rights \(IFRS 16\)—January 2020](#);
- and
- (e) [Subsurface Rights \(IFRS 16\)—June 2019](#).
44. Consequently, we think that the principles and requirements in IFRS 16 provide an adequate and sufficient basis for entities to identify leases and further standard-setting activity is unlikely to eliminate the need for judgement in assessing complex or evolving arrangements. In addition, more detailed guidance or additional examples may 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.
45. Therefore, based on the feedback received, we did not identify sufficient evidence to conclude that the potential benefits of any further action would outweigh the associated costs. Accordingly, in our view, the criteria in paragraph 7(c)–(d)—the matter can be addressed, and the benefits would outweigh the costs—are not met.

Staff recommendation and question for the IASB

46. For the reasons discussed in paragraphs 36–45, we recommend the IASB take no action in response to stakeholders’ feedback on the effects of applying the requirements for identifying a lease.

Question 2 for the IASB

Do IASB members agree with the staff recommendation in paragraph 46 of this paper?

Question 3 for the IASB

The staff recommends no further action in response to stakeholders’ feedback on other matters summarised in [Appendix A](#).

Do IASB members agree with the staff recommendation?

Appendix A—Other matters raised by no more than a few respondents in response to Question 6.4 in the RFI

A1. This appendix summarises comments and suggestions for the IASB to consider raised by more than one but no more than a few respondents. We do not recommend acting on any of these matters because the feedback does not provide evidence of the matters meeting the criteria in paragraph 7(a)–(d). In particular, the feedback does not suggest that the matters are pervasive, have substantial consequences or that the benefits of any actions would justify the costs.

Matters raised by stakeholders

1. Non-cash or non-monetary lease payments

A few stakeholders said it is unclear how to measure non-cash or non-monetary lease payments, and more guidance would be useful for entities.

2. Lease incentives

A few stakeholders said IFRS 16 does not provide sufficient guidance on lease incentives, particularly for the incentives granted after lease commencement, and fit-out reimbursements. As a result, entities apply different accounting approaches in practice, including treating such amounts as lease modifications, immediate profit or loss items, or reductions of lease expenses over the remaining lease term.

3. Input VAT and other taxes

A few stakeholders raised comments about the accounting for taxes related to lease arrangements, including taxes collected by lessors on behalf of tax authorities and non-deductible input VAT. Stakeholders said it is unclear whether such amounts should be included in the measurement of the right-of-use asset and lease liability, which results in diversity in practice. They noted that IFRS 15 includes explicit guidance to account for taxes collected on behalf of third parties and said that the Committee’s Agenda Decision [Non-refundable Value Added Tax on Lease Payments](#) does not include explanatory material.

4. Pattern of recognition of lease-related expenses

Matters raised by stakeholders

A few stakeholders raised concerns about the accounting outcomes of lease arrangements that comprise variable lease payments (that are excluded from the measurement of the lease liability) or fixed lease payments (or both) across different periods within the lease term. These stakeholders said that existing requirements may not appropriately reflect the timing and pattern of consumption of economic benefits from the underlying asset and recommended that the IASB, for example, require lessees to develop accounting policies that align the depreciation of their right-of-use assets with the timing and pattern of consumption of economic benefits from the underlying assets. One of these stakeholders provided an example of an arrangement in the retail sector with initially variable lease payments (linked to sales) that become fixed after a few years. In this stakeholder's view, the front-loading of expenses (depreciation of the right-of-use assets and variable lease payments) raises concerns about mismatched expense recognition (which some stakeholders describe as double counting) relative to the consumption of economic benefits of the underlying assets across the period.

5. PIR-process-related comments

A few stakeholders commented on a PIR process in general and suggested:

- (a) starting a PIR no later than three years after a Standard is effective; and
- (b) identifying and resolving issues at two key stages—upon issuance of a Standard and during initial application—through the use of the IFRS Interpretations Committee and transition resource groups.

Appendix B—Extracts from the FASB Accounting Standards Codification (Topic 842, Leases)***Topic 842, Leases—Subtopic 10, Overall—Section 15, Scope and Scope Exceptions***

- B1. Paragraph 842-10-15-42A states: ‘As a practical expedient, a lessor may, as an accounting policy election, by class of underlying asset, choose to not separate non-lease components from lease components and, instead, to account for each separate lease component and the non-lease components associated with that lease component as a single component if the non-lease components otherwise would be accounted for under Topic 606 on revenue from contracts with customers and both of the following are met:
- (a) The timing and pattern of transfer for the lease component and non-lease components associated with that lease component are the same.
 - (b) The lease component, if accounted for separately, would be classified as an operating lease in accordance with paragraphs 842-10-25-2 through 25-3A.

Topic 842, Leases—Subtopic 10, Overall —Section 25, Recognition

- B2. Paragraph 842-10-25-3A states: ‘Notwithstanding the requirements in paragraphs 842-10-25-2 through 25-3, a lessor shall classify a lease with variable lease payments that do not depend on an index or a rate as an operating lease at lease commencement if classifying the lease as a sales-type lease or a direct financing lease would result in the recognition of a selling loss.