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13 October 2025

Dr Andreas Barckow
International Accounting Standards Board
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Canary Wharf
London E14 4HD
United Kingdom

Dear Andreas,

**IASB Request for Information
*Post-implementation Review of IFRS 16 Leases***

The Hong Kong Institute of Certified Public Accountants (HKICPA) is the only body authorised by law to set and promulgate standards relating to financial reporting, auditing, ethics and sustainability disclosures for professional accountants in Hong Kong. We are grateful for the opportunity to provide you with our comments on this Request for Information (RFI).

Overall, we consider that IFRS 16 has achieved its objectives and has improved the transparency and comparability of financial information regarding leases. We also believe that the core principles of IFRS 16 are clear. Nevertheless, we have identified application issues relating to certain aspects of the requirements that warrant the IASB's further consideration. We provide detailed comments in the Appendix, and summarise our primary comments and recommendations below.

Rent concessions

There have been ongoing concerns regarding the lack of clarity in how a lessee distinguishes between a lease modification under IFRS 16 and an extinguishment (or partial extinguishment) of a lease liability under IFRS 9 *Financial Instruments* when accounting for rent concessions. These challenges were particularly evident during the COVID-19 pandemic and have re-emerged with the recent economic slowdown and uncertainty as entities negotiate rent concessions.

While the IASB addressed part of this issue in the 2024 *Annual Improvements to IFRS Accounting Standards* – clarifying through a narrow-scope amendment to IFRS 9 that a lessee is required to apply IFRS 9.3.3.3 when it has determined that a lease liability has been extinguished in accordance with IFRS 9 – the broader issue of how IFRS 9 and IFRS 16 interact remains unresolved. We believe that this Post-implementation Review presents an appropriate and timely opportunity for the IASB to address this broader issue.

In light of the above, we recommend that the IASB undertake a narrow-scope standard-setting project to clarify the interaction between IFRS 16 and IFRS 9 in the context of rent concessions. To support this recommendation, we have included potential approaches, along with their rationale, in the Appendix for the IASB's consideration. We also suggest that the IASB provide illustrative examples to enhance consistent application of the requirements.

Sale and leaseback transactions

We noted several application questions regarding the assessment of whether a transfer of an asset in a sale and leaseback transaction qualifies as a sale under IFRS 15 *Revenue from Contracts with Customers*. These application questions are frequently encountered in practice, particularly in the real estate industry, and divergent views exist due to a lack of guidance in IFRS 16. Accordingly, we recommend that the IASB provide clarification on how the relevant requirements should be applied. These application questions include:

- (i) Whether a seller-lessee's renewal option in a sale and leaseback transaction, which permits the seller-lessee to extend the lease for substantially all the remaining economic life of the underlying asset and places them in a similar position to a lessee that has an option to purchase the underlying asset, precludes accounting for the asset transfer as a sale;
- (ii) How to determine the unit of account when an entire building is sold but only part of the building is leased back;
- (iii) Whether the asset transfer may still constitute a sale if the buyer-lessor classifies the leaseback as a finance lease; and
- (iv) Whether a reassessment of the transfer of asset as a sale is required when the seller-lessee's repurchase option lapses.

Corporate wrappers

There is a lack of guidance on how to account for a transaction in which an entity sells its equity interest in a subsidiary that holds one asset to a third party and leases that asset back. Specifically, it is unclear whether such transactions should be accounted for by (i) first applying the loss of control requirements in IFRS 10 *Consolidated Financial Statements* and then overlaying the sale and leaseback requirements in IFRS 16 to recognise partial gain or loss, or (ii) applying IFRS 10 only and recognising a full gain or loss for the disposal of the subsidiary. Similar questions have also been raised regarding the accounting considerations for other fact patterns, such as the disposal of a corporate wrapper with one or more assets that constitute a business.

Transactions involving corporate wrappers are prevalent in the real estate industry and accounting issues often arise, such as in the sale of properties through a corporate wrapper. We believe that the underlying question for these issues is the same, i.e. whether the form of the transaction should result in a different accounting outcome.

Given the cross-cutting nature of the corporate wrapper issues across several IFRS Accounting Standards and consistent with our comments provided in our submission on the Post-implementation Review of IFRS 10, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, we recommend that the IASB undertake a broader project to address these issues holistically.

If you have any questions regarding the matters raised in this letter, please contact Carrie Lau (carrie@hki CPA.org.hk) or Katherine Leung (katherineleung@hki CPA.org.hk), Associate Directors of the Standard Setting Department.

Sincerely,



Cecilia Kwei
Director of Standard Setting

Work undertaken by the HKICPA in forming its views:

The HKICPA:

- (a) issued an Invitation to Comment on the RFI on 19 June 2025 to its members and other stakeholders;
- (b) sought input from its Leases Advisory Panel, Financial Instruments Advisory Panel, Revenue Recognition Advisory Panel, Small and Medium Practices Committee and its Technical Issues Support Group, which mainly comprise technical and industry experts from large as well as small and medium accounting firms;
- (c) held a public roundtable discussion on 13 August 2025 for local stakeholders, including technical experts and auditors from professional accounting firms, users, academics, and preparers from the telecommunication, aviation, retail, logistics and insurance sectors;
- (d) conducted a targeted outreach to a preparer of a listed corporate;
- (e) reviewed the findings from regulators' reports focusing on the application of IFRS 16; and
- (f) developed its views through its Financial Reporting Standards Committee, having reflected on its respondents' views. The Committee comprises preparer representatives from various industry sectors, regulators, as well as technical and industry experts from small, medium and large accounting firms.

Detailed comments on the IASB RFI

Question 1—Overall assessment of IFRS 16

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

1. We consider that IFRS 16 has achieved its objectives, and its core principles are clear. The requirement for a lessee to recognise both right-to-use (ROU) assets and lease liabilities in the statement of financial position has improved the transparency and quality of financial information related to lease arrangements. Some preparers and users believe that this requirement enhances comparability between entities that lease assets and those that borrow to acquire assets, thereby aiding analysis and decision-making.
2. Despite the high initial implementation costs, the ongoing costs of applying the requirements are often manageable for most preparers once the systems were set up and updated to maintain all lease contracts in accordance with IFRS 16.
3. A few preparers have highlighted that they incur considerable ongoing costs — much higher than those associated with IAS 17 *Leases* — when applying IFRS 16, even after the Standard has been in effect for several years. These entities are typically from lease intensive industries or businesses with frequent lease modifications and complex lease arrangements, such as the retail and the banking sectors. Given their large lease portfolios, these entities often engage external professional firms to manage their lease-related IT systems on an ongoing basis. Although IT systems are utilised, significant manual effort and judgement are still required in applying the requirements in IFRS 16, such as the impairment assessment of ROU assets, lease modification accounting and the reassessment of lease liability. This is because the IT systems cannot accommodate the various permutations of lease arrangements.
4. While the ongoing costs remain high, these preparers expressed no appetite for any significant changes to the Standard nor did they propose any solutions that could reduce costs while maintaining the benefits of IFRS 16.

Question 2—Usefulness of information resulting from lessees' application of judgement

Discount rate

5. Our users have expressed concerns about the lack of sufficient information to understand how discount rates, typically based on incremental borrowing rates (IBRs), are determined, creating difficulties in comparing information among entities. They suggested introducing the following disclosures on IBRs to help them better assess the impact of leases on financial statements:
 - (i) Methodology used to determine the IBR; and
 - (ii) IBR as a weighted average or a range.
6. We note that the disclosures of discount rates are not new to entities. The proposed disclosures are consistent with existing requirements of other IFRS Accounting Standards, which require similar disclosure of information about discount rates. Examples include:

Standard	Reference	Disclosure requirements
IAS 36 <i>Impairment of Assets</i>	IAS 36.130	Requires disclosure of discount rate used in value-in-use calculations.
IAS 19 <i>Employee Benefits</i>	IAS 19.76 and 144	Requires disclosure of significant actuarial assumptions including discount rate.
IFRS 17 <i>Insurance Contracts</i>	IFRS 17.117	Requires disclosure of assumptions including the approach used to determine the discount rate.
IFRS 13 <i>Fair Value Measurement</i>	IFRS 13.93(d) and 99	Requires disclosure of significant inputs.
Exposure Draft Provisions – Targeted Improvements (Proposed amendments to IAS 37)	ED. IAS 37.85(d)	Proposes disclosure of discount rate and the approach used to determine the rate if a provision is discounted.

Therefore, we expect that the market is familiar with these types of disclosures and knows how to comply with the proposed requirements.

7. While we agree that the proposed disclosures could improve the transparency about discount rates and support more informed analysis, we anticipate that the proposed disclosures are likely to require preparers to incur costs for additional data collection. Accordingly, we recommend that the IASB seek further input from preparers, especially those in lease-intensive industries, on their potential costs as well as their views on the nature and extent of discount rate disclosures. Where appropriate, the IASB could consider incorporating the aforementioned disclosure suggestions into IFRS 16.B48, thereby requiring lessees to assess the relevance of such disclosures for users' understanding of the financial statements.

Variable lease payments

8. Our respondents, primarily preparers and accounting firms, highlighted the following two practical challenges in applying the requirements related to variable lease payments (VLPs).
9. The first issue relates to the application of IFRS 16.27(b), which requires VLPs depending on an index or rate to be included in the measurement of lease liability. IFRS 16 does not define the terms 'index' or 'rate' and only provides limited guidance in IFRS 16.28 and IFRS 16.BC 165, which suggest that these terms typically reflect market conditions and that VLPs are included in the lease liability if they are unavoidable and do not depend on the lessee's future activities. Practical challenges arise in determining whether VLPs that depend on an index or rate that is *not linked* to general market conditions or performance of the lessee or the underlying asset, such as those based on the lessee's credit rating, fall under the requirement in IFRS 16.27(b).
10. We agree that the determination of what constitutes VLPs that depend on an index or rate is a matter of fact and sometimes require application of judgement. However, we are concerned that the current guidance in IFRS 16 may not provide a sufficient basis for consistent application of such judgement in similar circumstances. Accordingly, we recommend that the IASB clarify the principles underlying IFRS 16.27(b), specifically the definition and scope of the terms 'index' or 'rate', to support preparers in exercising judgement when applying the requirements.
11. The second issue relates to the depreciation of ROU assets under lease contracts that include both fixed and variable payments (not depending on an index or rate) across different periods. While IFRS 16.31-32 provide clear guidance on the depreciation of ROU assets, we note that the accounting outcomes may not appropriately reflect the timing and pattern of consumption of economic benefits from the underlying asset in certain situations. This could mislead users in assessing an entity's financial performance, particularly when the financial impact is material.
12. Consider a simplified example of a five-year lease in which Years 1 and 2 involve VLPs based on turnover, while Years 3-5 involve fixed annual payments. Lease liabilities and ROU assets are initially measured at the present value (PV) of the fixed payments of Years 3 to 5. Applying IFRS 16.31-32, the lessee depreciates this PV amount evenly over the full five-year term, resulting in disproportionate lease-related expenses in Years 1 and 2 due to the inclusion of both ROU depreciation and VLPs, while Years 3 to 5 include only ROU depreciation. This scenario is particularly common in the retail sector where the customer's business is still developing, and initial sales are relatively low in the first few years of the lease term. The front-end loading of expenses raises concerns about mismatched expense recognition relative to the consumption of economic benefits of the underlying assets across the period.
13. Although this issue arises from the initial measurement of lease liability, which excludes VLPs not dependent on an index or a rate under IFRS 16.27(b), and consequently from the ROU asset under IFRS 16.24(a), we recognise that this exclusion was based on cost-benefit considerations during the development of IFRS 16. Therefore, rather than revisiting the treatment of VLPs, we recommend that the IASB reassess the appropriateness of the accounting outcome of the ROU depreciation and consider providing specific guidance in IFRS 16, for instance, requiring lessees to develop accounting policies that align the depreciation of ROU assets and related rental expenses with the timing and pattern of consumption of economic benefits of the underlying assets.

Question 3—Usefulness of information about lessees' lease-related cash flows

14. We agree that the implementation of IFRS 16 has improved the quality and comparability of financial information about lease-related cash flows presented and disclosed by lessees.
15. Nevertheless, some respondents, including several users and preparers from the retail sector, shared the same concerns outlined in spotlight 3(a) of the RFI regarding the different classifications of various cash flows arising from lease arrangements, such as payments of principal and interest, VLPs and short-term/low-value leases in the statement of cash flows. This complex presentation makes it difficult for users and management to analyse lessees' lease-related cash flows, which is essential for projecting future cash flows and making investment decisions. They recommended that the IASB add the following disclosure requirements:
- (i) Providing a breakdown of total cash outflow for leases, showing the cash flows for the repayment of the principal, interest and variable lease payments; and
 - (ii) Explaining how each cash flow item in the breakdown is presented across the different categories of the statement of cash flows.
16. We believe that the above suggestions would help users better understand how lessees' lease-related cash flows are presented in the statement of cash flows. We also consider that the costs of providing the breakdown of total cash outflow for leases would not be significant, as the required information is readily available in preparers' records. Preparers should have this information when they compile the existing disclosure of total cash flows for leases under IFRS 16.53(g). Considering the above, we recommend that the IASB further engage with users and preparers to understand the cost-benefit considerations of the suggested disclosures and where appropriate, including them in IFRS 16.

Question 5—Potential improvements to future transition requirements

17. We welcome the transition options and practical expedients provided under the transition requirements in IFRS 16, which have helped preparers reduce their transition costs while maintaining the adequacy of information for users to understand the effect of implementing IFRS 16. A majority of our respondents indicated that they adopted the modified retrospective approach (without restating comparative information) at the initial application of the Standard. Overall, we believe the transition requirements achieve a cost-benefit balance.

Question 6.1—Applying IFRS 16 with IFRS 9 to rent concessions

18. Rent concessions were notably more prevalent during the COVID-19 pandemic but have since become less common and material. However, with the recent economic slowdown and uncertainty, we have observed a resurgence in reductions in fixed lease payments, indicating that such concessions are becoming frequent again.
19. In Hong Kong, rent concessions are typically accounted for as lease modifications under HKFRS 16 (equivalent to IFRS 16), particularly due to the approach illustrated in [the Institute's educational material on rent concessions](#) published in 2020. However, divergent practices still exist in the market, as there are differing views on whether rent concessions should be accounted for as lease modifications under IFRS 16 or as partial extinguishments of lease liabilities under IFRS 9. We have also

received consistent feedback from our respondents requesting that the IASB clarify the scope of rent concessions and the related accounting treatment.

20. We noted that the IASB issued a [narrow-scope amendment to IFRS 9](#) via the 2024 *Annual Improvements to IFRS Accounting Standards*. These amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9.3.3.3 and recognise any resulting gain or loss in profit or loss. However, the broader issue of how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment (or a partial extinguishment) of a lease liability remains unresolved¹.
21. To address stakeholder concerns, we recommend that the IASB undertake a narrow-scope standard-setting project to clarify this issue. From our outreach activities, we have identified the following possible approaches to account for the scenarios as described in spotlight 6.1 of the RFI for the IASB's consideration:
- (i) Treat the rent concessions as lease modifications under IFRS 16:
The rationale for this approach is that a lessor's decision to forgive lease payments is ultimately linked to the continuation of an ongoing leasing transaction or relationship. Therefore, it would be logical to treat such concessions as lease modifications under IFRS 16 rather than as extinguishments of financial liabilities under IFRS 9, where there might not be a continuation of the contractual relationship. This approach could be implemented by amending IFRS 9 to specify that IFRS 9.3.3.1 and 3.3.3 do not apply to rent concessions.
 - (ii) Differentiate rent concessions based on whether they are credit risk-related, such as forbearance:
 - a) Rent concessions arising solely from credit risk-driven forbearance, without changes to the scope of ROU, would be accounted for under IFRS 9, with the impact recognised immediately in profit or loss. This approach is based on the rationale that such forbearance resembles debt restructurings, for which the IFRS 9 modification requirements for financial liabilities would apply, and the impact would be recognised immediately in profit or loss.
 - b) Other rent concessions would be accounted for as lease modifications under IFRS 16, with no immediate profit or loss impact.
 - (iii) Introduce a rebuttable presumption:
The rebuttable presumption is that rent concessions are generally accounted for under IFRS 16, unless there is clear and pervasive evidence that the concession is driven solely by credit risk, in which case IFRS 9 would apply. This approach recognises that in practice, many rent concessions arise from multiple circumstances, such as commercial or operational reasons, not just economic stress. This makes it challenging to distinguish whether rent concessions are driven by credit risk-related factors or not. Additionally, in cases where such distinctions can be made, reasonably attributing concessions to credit or non-credit risk-related factors may be inherently subjective. Therefore, a presumption to apply IFRS 16 could provide a more practical and consistent approach.
22. We recommend that the IASB explore these approaches, assess their conceptual soundness and engage stakeholders to assess practical feasibility. We also recommend that the IASB include illustrative examples to support consistent

¹ The IASB concluded that clarifying the interaction between IFRS 9 and IFRS 16 was beyond the scope of an annual improvement [IFRS 9.BC2.45].

application of the requirements. We observed that the three fact patterns discussed by the IFRS Accounting Standards Discussion Group of the Canadian Accounting Standards Board, as referenced in [IASB March 2025 meeting paper, Staff Paper, AP7E, para 21](#), may be particularly helpful. These examples highlight the real-life scenarios and the following practice issues:

- (i) Whether the payments forgiven are current or past due, or if they are future lease payments, affects the accounting treatment.
- (ii) Whether the unit of account, i.e. the whole lease contract versus individual lease payments, affects the determination of whether IFRS 9 or IFRS 16 should apply, and how to determine the appropriate unit of account.

We recommend that the IASB consider these scenarios in developing the illustrative examples for the interactions between IFRS 16 and IFRS 9.

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

23. We have observed similar application questions to those described in spotlight 6.2 of the RFI regarding how to determine whether the transfer of an asset by the seller-lessee in a sale and leaseback transaction qualifies as a sale under IFRS 15. These application questions are pervasive in the real estate industry. Due to a lack of guidance in these areas, entities exercise judgement in applying the Standards, leading to diversity in practice. Accordingly, we recommend that the IASB provide clarification to assist entities in assessing whether the transfer of an asset in a sale and leaseback transaction constitutes a sale. The following paragraphs explain the different views on these application issues and their rationale.

Seller-lessee's renewal option to extend the lease for substantially all the remaining economic life of the underlying asset

24. It is common in the Real Estate Investment Trust sector for the seller-lessee to have a renewal option in a sale and leaseback transaction, permitting the seller-lessee to extend the lease for substantially all the remaining economic life of the underlying asset. Some entities considered that such renewal option may be viewed as having similar economic substance as a call option on the underlying asset because IFRS 16.BC 173 states that a lessee that has an option to extend a lease for all of the remaining economic life of the underlying asset is, economically, in a similar position to a lessee that has an option to purchase the underlying asset. According to IFRS 15.B66(a), if an entity has an obligation or a right to repurchase the asset (either a forward or a call option), the transfer of the asset does not qualify as a sale. Therefore, the question arises as to whether the renewal option to extend the lease for substantially all the remaining economic life of the underlying asset precludes accounting for the transaction as a sale.

Unit of account

25. Our respondents have raised question as to how to determine the unit of account when applying the sale and leaseback requirements to cases in which a seller-lessee sells an entire building while leasing back only part of that building (e.g. some floors) or sells a partially constructed asset and leases back the completed asset. Specifically, they questioned whether the unit of account in the transfer of the asset needs to be the same as that in the leaseback transaction.

26. One perspective is that the entire building is considered a single unit of account. Under this view, the transfer of the whole building and the leaseback of some floors would be accounted for separately because the leaseback does not involve the same asset, i.e. the whole building.
27. Alternatively, others consider that each floor could be treated as a single unit of account based on the following different reasons:
- (i) Each floor should be assessed to determine whether it meets the definition of a separate lease component in IFRS 16.B32. Typically, each floor in a building is physically distinct and capable of being used separately, the use of each floor would not depend on the other floors. Therefore, each floor would be an identified asset under IFRS 16.B20 and would be treated as a separate lease component. The assessment of whether a sale has occurred would be made separately for each floor subject to the leaseback.
 - (ii) This approach is supported by analogy to paragraph 10 of IAS 40 *Investment Property* which requires separate consideration of portions of a property held-for-use and those held for rentals and/or capital gains if that portion could be sold separately or leased out separately under a finance lease. If each floor could be sold or leased out separately under a finance lease, the seller-lessee would determine whether a sale has occurred for each floor.

The buyer-lessor classifies the leaseback as a finance lease

28. IFRS 16 is unclear as to whether the asset transfer constitutes a sale if the buyer-lessor classifies the leaseback as a finance lease.
29. One view is that the asset transfer does not constitute a sale because the seller-lessee substantially retains all the risks and rewards associated with the ownership of the asset, indicating that control of the asset has not been transferred to the buyer-lessor.
30. Another view is that the buyer-lessor's classification of a leaseback as a finance lease does not, in itself, preclude accounting for the transfer of the asset as a sale. This is because IFRS 16 does not explicitly require the leaseback arrangement in a sale and leaseback transaction to be an operating lease in order for the transfer of the asset to qualify as a sale. Those who hold this view also considered that the concepts of 'transfer of risks and rewards' and 'transfer of control' of the underlying asset are not exactly the same. The transfer of almost all the risks and rewards in a finance lease does not directly imply the transfer of all rights to use the underlying asset. Therefore, it cannot be ruled out that the buyer-lessor still retains rights over the remaining assets. Furthermore, applying IFRS 16.100 to the case where the leaseback is a finance lease, the seller-lessee would retain a high proportion of the carrying amount of the asset, with only small gain or loss recognised for the asset transfer, which essentially reflects the substance of the transaction.

Reassessment upon expiry of repurchase option

31. It is common for a seller-lessee to have a right to repurchase the asset (repurchase option) in a sale and leaseback transaction. The transfer of the asset does not meet the requirements in IFRS 15 as a sale at contract inception as per IFRS 15.B66. However, IFRS 15.B69 states that if the option lapses unexercised, an entity shall derecognise the liability and recognise revenue. This leads to the question of whether a reassessment of the transfer of the asset is a sale is required when the repurchase option lapses in a sale and leaseback transaction.

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

32. We agree with the partial gain or loss recognition model for the sale and leaseback transactions in IFRS 16. Although the seller-lessee sells the entire underlying asset to the buyer-lessor from a legal perspective, the seller-lessee retains its right to use the asset for the duration of the leaseback from an economic perspective. Therefore, we consider that the recognition of partial gain and loss that relates to the right transferred to the buyer-lessor appropriately reflects the economics of such transactions.

Question 6.4—Other matters relevant to the assessment of the effects of IFRS 16

Corporate wrappers

33. There is a lack of guidance on how to account for a transaction in which an entity sells its equity interest in a subsidiary that holds one asset to a third party and leases that asset back. Specifically, it is unclear whether the entity should
- (i) first apply the loss of control requirements in IFRS 10 and then overlay the sale and leaseback requirements in IFRS 16 to recognise only partial gain or loss from the transaction, or
 - (ii) apply only IFRS 10 and recognise the full amount of gain or loss from the sale of its equity interest in the subsidiary.
34. Supporters of view (i) considered that applying both IFRS 10 and IFRS 16 reflects the substance of the transaction, i.e. the transfer of an asset (via the sale of a corporate wrapper). In addition, IFRS 16.BC 261 highlights the IASB's view that, in considering whether a transaction should be accounted for as a sale and leaseback transaction, an entity should consider not only the legal form of the transaction but also the economic effects of the transaction. Conversely, those who support view (ii) argued that recognising a partial gain or loss would contradict the full gain or loss recognition requirements in IFRS 10, and there is no clear support from IFRS Accounting Standards indicating that the seller-lessee could apply both IFRS 10 and IFRS 16 simultaneously to the transaction.
35. Furthermore, our respondents questioned whether the accounting considerations would differ in other fact patterns, for example, the disposal of a subsidiary with one or more assets that constitute a business, or if the leaseback relates only to part of the assets.
36. Transactions involving corporate wrappers are prevalent in the real estate industry, and accounting issues often arise. In our [submission](#) on the PIR of IFRS 10, IFRS 11 and IFRS 12, we raised similar questions regarding the sale of properties through a corporate wrapper. The underlying question for these transactions is the same, i.e. whether the form of the transaction should result in a different accounting outcome.
37. Given the cross-cutting nature of the corporate wrapper issues across several IFRS Accounting Standards, we reiterate our recommendation in the PIR of IFRS 10, IFRS 11, and IFRS 12 that the IASB should undertake a broader project to address the corporate wrapper issues holistically rather than through piecemeal amendments to avoid any unintended consequences.

Collectability criterion in the recognition of lease income

38. IFRS 16.81 requires a lessor to recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. However, unlike IFRS 15, IFRS 16 does not specify a collectability criterion that must be met for a lessor to recognise operating lease income.
39. There are differing views on how a lessor measures and recognises lease income under an operating lease when the lessee experiences financial difficulties. One view is that the lessor should not recognise lease income because collectability should be considered by analogy to IFRS 15.9(e), which requires an assessment of whether it is probable that the lessor will collect the lease payments. Another view is that the lessor should continue recognising lease income, even in extreme situations, because IFRS 16 does not include a collectability criterion similar to that in IFRS 15.9(e). The lessor should apply the impairment requirements in IFRS 9 to measure and recognise the expected credit losses of the lease receivable.
40. We consider that this issue could become material, particularly in light of the recent economic downturn and volatility. Furthermore, it would impact the top line of the financial statements of lessors which is a key financial metric for users and management to assess the performance of the entities. Accordingly, we recommend that the IASB provide clarification on this issue.

~ End ~