



IFRS Alert

IASB amends the requirements for sale and leaseback transactions

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Executive summary

The International Accounting Standards Board (IASB) has issued amendments to IFRS 16 'Leases', adding requirements for accounting for a sale and leaseback after the date of the transaction.

The amendments

The IASB has issued additional guidance in IFRS 16 on accounting for sale and leaseback transactions. Previously IFRS 16 only included guidance on how to account for sale and leaseback transactions at the date of the transaction itself. However, the Standard did not specify any subsequent accounting when reporting on the sale and lease back transaction after that date.

As a result, without further requirements, when the payments include variable lease payments there is a risk that a modification or change in the leaseback term could result in the seller-lessee recognising a gain on the right of use retained even though no transaction or event would have occurred to give rise to that gain.

Consequently, the IASB decided to add subsequent measurement requirements for sale and leaseback transactions to IFRS 16.

The amendments are applicable for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If the amendments are applied in an earlier period, this should be disclosed.



Our thoughts

We welcome the IASB addressing this area, as we believe there is currently a gap in accounting for these types of arrangements and we note the amounts involved in sale and leaseback arrangements are usually material to the reporting entity.

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