



Stockholm 12 May 2020

IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
4 4HD
United Kingdom

Tentative Agenda Decision – Sale and Leaseback with Variable Payments (IFRS 16)

FAR, the Institute for the Accountancy Profession in Sweden, is responding to your invitation to comment on the above Tentative Agenda Decision, that was published in the March 2020 edition of IFRIC Update.

FAR does not agree with the decision not to add this issue onto its standard-setting agenda. The principles and requirements in IFRS 16 with regard to variable lease payments that do not depend on an index or rate is clear and excludes variable lease payments linked to future performance or use of an underlying asset from the measurement of lease liabilities. BC 169 states the reasons for this decision by the IASB. For some Board members, this decision was made solely for cost-benefit reasons. Those Board members were of the view that all variable lease payments meet the definition of a liability for the lessee. However, they were persuaded by the feedback received from stakeholders that the costs of including variable lease payments linked to future performance or use would outweigh the benefits, particularly because of the concerns expressed about the high level of measurement uncertainty that would result from including them. Other Board members did not think that variable lease payments linked to future performance or use meet the definition of a liability for the lessee until the performance or use occurs. They regarded those payments to be avoidable by the lessee and, accordingly, concluded that the lessee does not have a present obligation to make those payments at the commencement date.

The tentative agenda decision explains that the seller-lessee recognises a lease liability at the date of the sale and leaseback transaction, even if all the payments for the lease are variable and do not depend on an index or rate. FAR questions whether this apparent contradiction to the definition of a lease liability in IFRS 16 can be solved by means of an agenda decision, with all the limitations that pertain to such an agenda decision. When an issue is of importance principally, FAR thinks it would be better to amend a standard, either through a separate process or through the annual improvement process. Such a process would involve proper due process.



FAR has noted the IFRS Interpretations Committee's (Committee) recommendation that the Board consider a narrow scope amendment to specify how the seller-lessee subsequently measures the liability that arises in the sale and leaseback transaction. Since the Committee itself has concluded that standard setting with regard to sale and leaseback transactions involving variable lease payments is needed, FAR is of the opinion that also the matter covered by the tentative agenda decision should be part of such future standard setting activities, given the conflicting guidance included in the tentative agenda decision compared to principles and requirements in IFRS 16. By doing so, the feedback received from stakeholders with regard to the high level of measurement uncertainty that would result from including variable payments in the lease liability can be addressed, as well as views expressed in BC 169 that lessees do not have a present obligation to make those variable payments at the date of the transaction.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Pernilla Lundqvist'.

Pernilla Lundqvist
Chairman Accounting Practices Committee