

# Invitation to Comment:

## Call for comments on Draft Endorsement Criteria Assessment of *Lease Liability in a Sale and Leaseback*— Amendments to IFRS 16

**Deadline for completion of this Invitation to Comment:**

**Close of business Wednesday, 5 April 2023**

**Please submit to:**

**[UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk)**

### Introduction

The objective of this Invitation to Comment is to obtain input from stakeholders on the endorsement and adoption of *Lease Liability in a Sale and Leaseback*—Amendments to IFRS 16 (the Amendments), published by the International Accounting Standards Board (IASB) in September 2022. The Amendments have an effective date of 1 January 2024, with earlier application permitted.

### UK endorsement and adoption process

The requirements for UK adoption are set out in the Statutory Instrument 2019/685<sup>1</sup>.

The delegation of the powers to formally adopt international accounting standards for use in the UK was delegated to the UK Endorsement Board in May 2021<sup>2</sup>.

The information collected from this Invitation to Comment is intended to help with the endorsement assessment. This will form part of the work necessary for potential UK endorsement and adoption of the Amendments.

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<sup>1</sup> The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019: <https://www.legislation.gov.uk/ukSI/2019/685/made>

<sup>2</sup> The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021: <https://www.legislation.gov.uk/ukSI/2021/609/contents/made>

## Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts prepared in accordance with IFRS Accounting Standards.

## How to respond to this Invitation to Comment

Please download this document, answer any questions on which you would like to provide views, and return it to [UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk) by close of business on Wednesday, 5 April 2023.

**Brief responses providing views on individual questions are welcome, as well as comprehensive responses to all questions.**

## Privacy and other policies

The data collected through submitting this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our Privacy Statements and Notices and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)<sup>3</sup>.

The UKEB's policy is to publish on its website all responses to formal consultations issued by the UKEB unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. If you do not wish your signature to be published, please provide UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature. Other than the name of the organisation/individual responding, information contained in the "Your Details" document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other response document submitted; therefore, only information that you wish to be published should be submitted in such responses.

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<sup>3</sup> These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk>

## Assessment against endorsement criteria

Our draft assessment concludes that:

- the Amendments meet the criteria of relevance, reliability, understandability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by SI 2019/685 (see Regulation 7(1)(c));
- application of the Amendments is not contrary to the principle that an entity's accounts must give a true and fair view as required by SI 2019/685 (see Regulation 7(1)(a)); and
- that the Amendments are likely to be conducive to the long term public good in the UK as required by SI 2019/685 (see Regulation 7(1)(b)), having considered:
  - whether they will generally improve the quality of financial reporting;
  - the costs and benefits that are likely to result from their use; and
  - whether they are likely to have an adverse effect on the economy of the UK, including on economic growth.

Our assessment of the Amendments is set out in **Section 2** of the DECA in the pages indicated below:

	Page
Rationale for the Amendments	11
Technical criteria assessment	12-14
True and fair view	14
UK long term public good (including costs and benefits for preparers and users)	15-17

## Questions

### Technical criteria assessment

1. Do you agree with the draft assessment of the Amendments against the technical criteria? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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2. Please include any comments you may have in response to question 1:

We concur with the technical assessment on the basis that it will reduce diversity in practice and addresses the lack of guidance for sale and leaseback transactions with variable lease payments.
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### True and fair view

3. Do you agree with the draft assessment that the Amendments **are not contrary to the true and fair view requirement**? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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4. Please include any comments you may have in response to question 3:

Click or tap here to enter text.
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### UK long term public good

5. Do you agree with the draft assessment that sale and leaseback transactions affected by the Amendments are rare in the UK?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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6. Do you agree with the initial assessment of **costs and benefits for preparers and for users** of the Amendments? (please select one option)

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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7. Please include any comments you may have in response to questions 5 or 6, including if any costs have been missed out:

We note Mazars, as well as other respondents to the IASB's ED 2020/4-- *Lease Liability in a Sale and Leaseback* were critical of the proposed amendments, pointing to the need for the IASB to reassess the IFRS 16 accounting model for sale and leaseback transactions, as it could result in a counterintuitive financial reporting and unnecessary complexity for preparers and users. We acknowledge that the IASB has considered alternative ways, although it did not reconsider existing sale and leaseback accounting requirements. We believe a reassessment of the existing requirements including further discussions about the accounting for variable payments as consideration in an asset acquisition is needed as part of the PIR on IFRS 16.

8. Do you agree with the draft assessment that the Amendments are likely to be conducive to the **long term public good in the UK**? (please select one option)

<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b>	<input type="checkbox"/>
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9. Please include any comments you may have in response to question 8:

We concur that the Amendments are likely to be conducive to the long term public good in the UK. This is mainly because sale and leaseback transactions with variable lease payments that do that do not depend on an index or rate are relatively uncommon.

**Thank you for completing this Invitation to Comment**

**Please submit this document**

**by close of business on Wednesday 5 April 2023 to:**

**[UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk)**