

# FEEDBACK STATEMENT

*Lease Liability in a Sale and Leaseback*—Amendments to  
IFRS 16

Endorsement Criteria Assessment (ECA)

April 2022

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.

# Contents

	Page
Purpose of the feedback statement	4
Description of the Amendments to IFRS 16	5
Background to the endorsement project	6
Consultation response to the draft ECA and overall assessment	7–8
Detailed assessments of comments made by respondents	9–10

# Purpose of this feedback statement

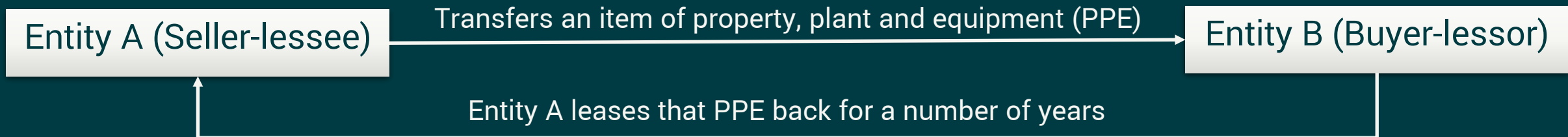
This feedback statement presents the views of UK stakeholders received during the UKEB's public consultation on the draft Endorsement Criteria Assessment (ECA) of *Lease Liability in a Sale and Leaseback*—Amendments to IFRS 16 and where relevant explains how the UKEB has addressed those views in the final ECA.



# Description of the Amendments to IFRS 16

A brief description of the Amendments is presented below:

## *Lease Liability in a Sale and Leaseback*—Amendments to IFRS 16



The Amendments add requirements in IFRS 16 *Leases* on how to subsequently account for sale and leaseback transactions that include variable leaseback payments that do not depend on an index or rate (e.g. variable lease payments linked to future performance or use of an underlying asset).

# Background to the endorsement project

The IASB issues amendments to international accounting standards to maintain and improve IFRS Accounting Standards.

In September 2022 the IASB finalised and published *Lease Liability in a Sale and Leaseback—Amendments to IFRS 16*.

The Amendments have an effective date of 1 January 2024 with earlier application permitted.

The UKEB Secretariat submitted its Final Comment Letter (FCL) on the IASB's Exposure Draft on 26 March 2021, before the Board's statutory functions had been delegated by the Secretary of State. The Board was therefore not involved in the development of the FCL.

However, the IASB considered the comments in our FCL and made by UK respondents directly to the IASB when finalising the Amendments.

For the project to consider the Amendments for adoption, the UKEB

- Approved the Project Initiation Plan at its November 2022 meeting.
- Approved the Draft Endorsement Criteria Assessment (DECA) at its December 2022 meeting.

Due to the narrow-scope nature of the Amendments, the UKEB's consultation activities were focused on obtaining responses to the DECA.

# UKEB public consultation on the draft ECA

- The DECA was published for consultation for 90 days, between 5 January 2023 and 5 April 2023.
- During the consultation period, the UKEB and its Secretariat promoted awareness of the DECA and encouraged stakeholders to respond through News Alerts, LinkedIn posts and the UKEB website. We also sent the link to the DECA to members of UKEB Advisory Groups for them to share with relevant contacts in their organisation and wider networks.
- A total of six formal responses was received by the UKEB from stakeholders.
- All stakeholder comments were considered in reaching the UKEB's final assessment of the Amendments. Stakeholder submissions received were made public on the UKEB website.

Stakeholder type	Number of responses
Accounting firms	4
Accounting and audit representative organisations	1
Preparers of accounts	1
<b>Total</b>	<b>6</b>

# Overall assessment

Respondents to the DECA concur with the UKEB's assessment based on the adoption criteria in paragraph 1 of Regulation 7 SI 2019/685 and are fully supportive of the adoption of the Amendments.





# Detailed assessment—Comments from respondents

<b><i>Lease Liability in a Sale and Leaseback—Amendments to IFRS 16</i></b>		
<b>UKEB tentative assessment</b>	<b>Stakeholder views</b>	<b>UKEB final assessment</b>
<b>Technical criteria assessment</b>		
The DECA tentatively concluded that the Amendments met the criteria of relevance, reliability, comparability and understandability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by Regulation 7(1) of SI 2019/685.	All respondents were supportive of the UKEB’s tentative conclusion.	Consistent with tentative assessment.
<b>True and fair view assessment</b>		
The DECA tentatively concluded that the Amendments were not contrary to the true and fair view principle set out in Regulation 7(1) of SI 2019/685.	All respondents were supportive of the UKEB’s tentative conclusion.	Consistent with tentative assessment.

# Detailed assessment—Comments from respondents

<b><i>Lease Liability in a Sale and Leaseback—Amendments to IFRS 16</i></b>		
<b>UKEB tentative assessment</b>	<b>Stakeholder views</b>	<b>UKEB final assessment</b>
<b>UK long term public good</b>		
<p>The DECA tentatively concluded that, having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments, the Amendments were likely to be conducive to the long term public good in the UK as required by SI 2019/685.</p>	<p>All respondents were supportive of the UKEB’s tentative conclusion. All respondents also agreed with the UKEB’s assessment that sale and leaseback transactions affected by the Amendments are rare in the UK.</p> <p>One respondent considered that a reassessment of the existing requirements for sale and leaseback transactions, including the accounting for variable payments as consideration in an asset acquisition, is needed as part of the Post-implementation Review of IFRS 16.</p>	<p>Consistent with tentative assessment.</p>

# Disclaimer

This feedback statement has been produced in order to set out the UKEB's response to stakeholder comments received on the Draft Endorsement Criteria Assessment of *Lease Liability in a Sale and Leaseback*—Amendments to IFRS 16 and should not be relied upon for any other purpose.

The views expressed in this feedback statement are those of the UK Endorsement Board at the point of publication.

Any sentiment or opinion expressed within this feedback statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.

## Contact Us

UK Endorsement Board

1 Victoria Street | London |  
SW1H 0ET | United Kingdom

Web: [www.endorsement-board.uk](http://www.endorsement-board.uk)