

**EFRAG**

Attn: Mr. Hans Buysse  
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Our ref: RJ-EFRAG 627 D  
Direct dial: Tel.: (+31) 20 301 039  
Date: Amsterdam, April 16<sup>th</sup> 2024  
Re: DASB comment letter on PIR IFRS 16 Leases

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Dear Hans,

The Dutch Accounting Standards Board (DASB) welcomes the opportunity to respond to your questions included in the survey on IFRS 16 related matters (EFRAG Survey PIR IFRS 16). Our working group on Leasing has assisted us to prepare our response. This working group consists both of representatives of the auditors profession, companies and users/investors in the Netherlands.

Our current Dutch Accounting Standards, Dutch Accounting Standards (DAS) 292 and B11 (for micro- and small entities) for lease accounting are applicable to all (non-listed) entities. These standards are based on the concepts of IAS 17 and as such considered appropriate for our constituents, with only small amendments made to the definition of a lease and the notion of control to align with the IFRS 16. In addition, we allow companies to apply IFRS 16 in full, as a voluntary option instead of applying the stipulations in DAS 292. This option is mostly used by Dutch subsidiaries of parent companies that apply IFRS.

With the above in mind, we have decided to respond only to selected questions in your survey. Generally, we believe that IFRS 16 is working well for listed companies, yet we observe some limited areas for improvement or reconsideration.

Some of our main concerns relate to the interaction of IFRS 16 with other standards. Please see the questionnaire for further details. We refer also to our earlier response to the EFRAG survey PIR IFRS 15 as we believe that the interaction between IFRS 15 and IFRS 16 may require attention.

Another general comment is that the implementation and application of IFRS 16 requires judgement by companies and we see, to a certain extent, a shift in discussion from operating or finance lease to service or lease-contract, also in the context of changing business models.

We notice that the use of variable lease payments in contracts is leading to quite some debates in practice. Whilst we do not believe that the PIR should lead to substantial amendments to IFRS 16 now, we do envisage a further evaluation by the IASB to arrive at a consistent approach for variable lease amounts, whether in respect of Sale and Leaseback or otherwise.

Our detailed feedback to a selection of questions is provided in Appendix 1.  
Please feel free to contact us if you wish to discuss the contents of this letter.

Yours sincerely,

Gerard van Santen  
Chairman DASB

## **APPENDIX 1 EFRAG survey on the effects of IFRS 16 to preparers, auditors, regulators and NSS**

### **Section 1 – Overall assessment of and experience with IFRS 16**

#### **Question 2 – What is your overall assessment of IFRS 16?**

- (a) IFRS 16 is working as intended.*
- (b) IFRS 16 is generally working well but there is room for improvement.*
- (c) There are significant application issues with IFRS 16 that need to be addressed.*
- (d) IFRS 16 is not working as intended.*
- (e) Unsure.*

#### **Our response:**

2b – The standard is generally working well. See our further response for suggested improvements.

#### **Question 3 – Initial implementation – To what degree (from low (1) to high (5)) did the following industries find it challenging to implement IFRS 16?**

#### **Our response:**

We are not in a position as standard setter to do a detailed assessment and as such are not able to respond to this question in detail. We have the impression that the challenges of implementing IFRS 16 were not so much dependent on industry type but on the availability of sufficient and appropriate data. However in some industries such as airlines, telecommunications and retail we did observe specific challenges such as the identification of a lease and contract renewals.

#### **Question 4 – Ongoing application – To what degree (from low (1) to high (5)) do the following industries still find it challenging to apply IFRS 16?**

#### **Our response:**

Again, we cannot comment in detail by industry type and believe that ongoing application is not particularly challenging. We do observe new business models and processes that give rise to application issues, such as the assessment whether or not power purchase agreements comprise a lease.

### **Section 2 – Application issues arising from the application of IFRS 16**

#### **Question 8 – In your experience, are there any application issues arising from the application of IFRS 16?**

- (a) No, there are not. Go to question 9*
- (b) Yes, there are. Go to question 8.1*

#### **Question 8.1 - In your experience, what are the most prevalent application issues arising from the application of IFRS 16?**

#### **Our response:**

8b – Identification of a lease (vs. service), variable lease payments, renewals.

**Section 3 – Application issues arising from the interaction with other IFRS Accounting Standards and Interpretations.**

**Question 9 – In your experience, are there any application issues arising from the interaction between IFRS 16 and other IFRS Accounting Standards and Interpretations that cause prevalent application matters (e.g., diversity in practice, widespread and common fact patterns, etc.)?**

*(a) No, there are not.*

*(b) Yes, there are.*

**Our response:**

9b – We reiterate our comments to the EFRAG survey PIR IFRS 15:

*Interaction between IFRS 15 and IFRS 16*

*The existence of a leaseback in a sale and leaseback transaction, in isolation, does not preclude a sale. This is because a lease is different from the sale or purchase of an underlying asset, as the leaseback does not transfer control of the underlying asset. Instead, the leaseback transfers the right to control the use of the underlying asset for the period of the lease. However, if the seller-lessee has a substantive repurchase option for the underlying asset (a right to repurchase the asset), no sale has occurred because the buyer-lessor has not obtained control of the asset (IFRS 16.BC262). IFRS 16 does not address whether a lessee's renewal options (e.g., fixed price, fair value at the date of exercise) permitting the seller-lessee to extend the lease for substantially all of the remaining economic life of the underlying asset precludes sale accounting. The question is whether a lessee that has an option to extend a leaseback for substantially 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.*

Another interaction issue between IFRS 15 and 16 arises in situations when a dealer/manufacturer is contracting for a specified asset with no alternative use and a right to payment for performance to date. Whereas under IFRS 15.35c revenue would be recognised over time in such cases, IFRS 16.71 appears to only allow dealer-lessors to recognise revenue at a point-in-time.

It is further noted that IAS 38.113 refers to IFRS 16 for recognition of a gain or loss in relation to a sale and leaseback transaction, whereas intangible assets are not in the scope of IFRS 16. We recommend for the IASB to revisit the scoping paragraph of IFRS 16 as application issues related to lease-type arrangements involving intangible assets appear to become more common, especially in high tech industries and in relation to the energy transition.

*Interaction between IFRS 9 and IFRS 16*

Also, we note the issue of modifications and the different opinions in dealing with variable payments, both related to IFRS 9. EFRAG's comment letter on the draft annual improvements Volume 11 refers to interaction between IFRS 9 and IFRS 16 in the field of an extinguishment event versus a modification of a lease. In this respect, we draw attention to the hierarchy between standards: is IFRS 16 prevailing over IFRS 9, as is the case with IFRS 15 once a transaction is considered a lease?

**Section 4 – IFRS 16 presentation and disclosure requirements: cost-benefit analysis**

**Question 11 – In your view, is there any new evidence/element the IASB should take into account to assess whether current accounting requirements for variable lease payments provide a faithful representation in the financial statements that is useful for the users of financial information?**

*(a) Yes, the IASB might reconsider current requirements in IFRS 16 taking into account the new evidence. (Please explain.)*

*(b) No, although current requirements might need to be improved, there is no new evidence the IASB should reconsider.*

*(c) No, there is not, and current requirements in IFRS 16 do not need to be improved/reconsidered.*

**Our response:**

We are not convinced that the different treatment of variable lease payments in a lease contract versus the treatment in a sale-and-lease agreement is justifiable/understandable/leads to a faithful presentation. The potential conflict between a liability approach versus an ‘economic’ approach may need further consideration.

**Section 5 – Lessor accounting**

**Question 15 – Have you experienced any application issues arising from the application of IFRS 16 requirements related to the lessor accounting compared to IAS 17?**

*(a) Yes, I have. (Please explain the most relevant application issues and how the IASB should address them.)*

*(b) No, current requirements in IFRS 16 related to the lessor accounting are overall working as intended.*

**Our response:**

15b – No. although the concept of a model that mirrors the accounting model for lessees may be considered conceptually appealing, we feel that the current model works and there is no appetite for change.

**Section 7 – Other information**

**Question 20 – Would you be available for a follow-up discussion with the EFRAG project team (if needed)?**

*(a) Yes.*

*(b) No.*

**Our response:**

20a – As stated in our cover letter, please reach out if you wish to discuss the contents of this letter. However we would expect that preparers, users and auditors will be able to provide more detailed and decision-useful insights.