

OTHER LEASE-TYPE ARRANGEMENTS

IPSASB Meeting – December 2023

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AGENDA

Supporting Documents:

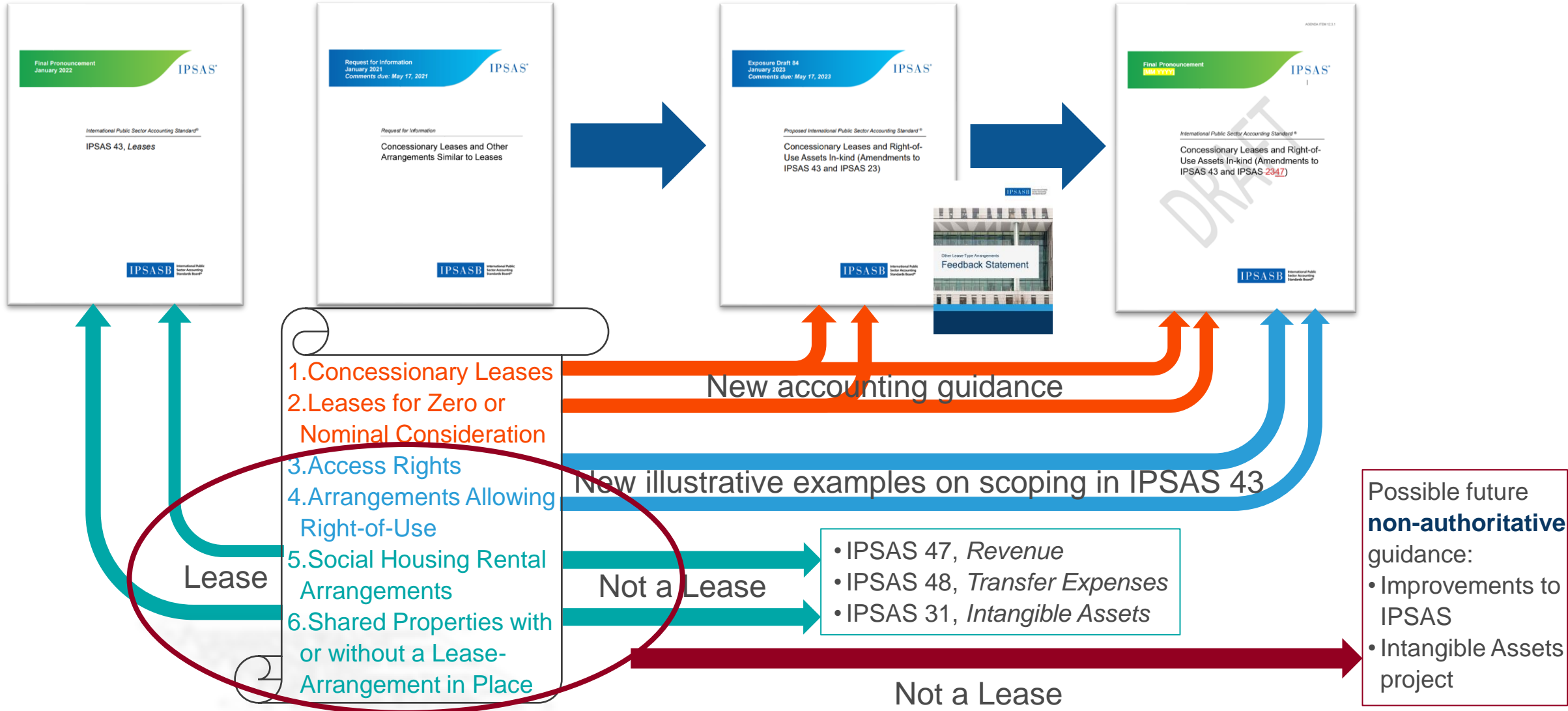
1. [Draft] Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 47)
2. Respondents' Editorials to Authoritative and Non-Authoritative Text of ED 84 for Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 47)

1. Linkages with IPSAS 48, Transfer Expenses
2. Effective Dates (Ag. Item 12.2.3)
3. Non-inclusion of amendments to IPSAS 23 in the Final Pronouncement (Ag. Item 12.2.4)
4. Inclusion of Amendments to IPSAS 47 in the Final Pronouncement (Ag. Item 12.2.2)
5. Enhancements to Guidance on Concessionary Leases for Lessors
6. Enhancements to Guidance on Concessionary Leases for Lessees
7. Enhancements to Guidance on Right-of-Use Assets In-kind
8. Draft Basis for Conclusions

Overview of Leases Project Phases

IFRS Alignment

Public Sector-Specific (Other Lease-Type Arrangements)



Linkages with IPSAS 48, *Transfer Expenses*

Analysis

- **Concessionary Leases**
 - IPSAS 48.4(a) explicitly excludes leases
 - Concessionary leases meet the definition of leases because they still have consideration:
 - Concessionary leases are also excluded from IPSAS 48
- **Arrangements that convey the right to use an underlying asset for zero consideration**
 - Outside of the scope of IPSAS 43 => **do not meet** the definition of a lease because of **lack** of consideration
 - Within the scope of IPSAS 48 => **meet** the definition of a transfer expense because of **lack** of consideration

Recommendation

- To proceed with ED 84 proposals for concessionary leases for lessors for the Final Pronouncement
- No changes to IPSAS 48

Effective Dates (for discussion purposes)

Project/IPSAS	Dependencies	Effective Date
IPSAS 43, <i>Leases</i>	No dependencies	January 1, 2025
IPSAS 44, <i>Non-Current Assets Held for Sale</i>	No dependencies	January 1, 2025
IPSAS 45, <i>PP&E</i>	IPSAS 43, IPSAS 44, IPSAS 46	January 1, 2025
IPSAS 46, <i>Measurement</i>	No dependencies	January 1, 2026
IPSAS 47, <i>Revenue</i>	No dependencies	January 1, 2026
IPSAS 48, <i>Transfer Expenses</i>	IPSAS 47	January 1, 2026
IPSAS 49, <i>Retirement Benefit Plans</i>	No dependencies	January 1, 2026
<i>Concessionary Leases and Right-of-Use Assets In-kind</i>	IPSAS 43, IPSAS 45, and IPSAS 47	January 1, 2027 (proposed)
<i>Improvements to IPSAS, 2023</i>	IPSAS 43	TBD
Measurement Phase II	IPSAS 46	TBD

Effective Dates (for discussion purposes)

Analysis

- Effective date of January 1, 2027
 - Broadly consistent with three-year application period of IPSAS 43
 - Does not overwhelm preparers
 - Allows one more year for planning/implementation after 7 new IPSAS
 - Early application permitted

Also POSTPONE effective date of IPSAS 43 to January 1, 2027

Arguments For	Arguments Against
Prevent reassessing all leases	Scope of IPSAS 13 and IPSAS 43 is the same
Cost of changes could exceed the benefits	No change in lessor accounting
All lease requirements effective at the same time	Phased and flexible application

Staff and Majority of TF Proposal:

- January 1, 2027

- No change of effective date of IPSAS 43

TF Member View:

- Postpone **also** effective date of IPSAS 43 to January 1, 2027

Non-inclusion of amendments to IPSAS 23 in the Final Pronouncement

Analysis

- ED 84 was issued with proposed amendments to IPSAS 23, *Revenue From Non-Exchange Transactions (Taxes and Transfers)*
- ED 84 was issued before the publication of IPSAS 47, *Revenue*
- IPSAS 47 effective date: January 1, 2026
- IPSAS 47 supersedes IPSAS 23
- Final Pronouncement proposed effective date after IPSAS 23 is superseded => IPSAS 23 is no longer effective
- Early application permitted for amendments to IPSAS 47 (replacing IPSAS 23) in Final Pronouncement

Recommendation

- Not to include the amendments to IPSAS 23 in the Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind*

Inclusion of Amendments to IPSAS 47 in the Final Pronouncement

Analysis

- IPSAS 47 presents new accounting models for revenue in the public sector that differs from IPSAS 23, but the:
 - Concessionary leases and right-of-use-assets in-kind accounting guidance **has not substantially changed** between IPSAS 23 and IPSAS 47; and
 - Accounting outcomes **have not changed**.
- See Appendix A and [Draft] Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 47) (Agenda Item 12.3.1)

Recommendation

- To include in the Final Pronouncement the amendments to IPSAS 47 drawn from the ED 84 proposed amendments to IPSAS 23 identified in [Draft] Final Pronouncement, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 47) (Agenda 12.3.1)

Inclusion of Amendments to IPSAS 47 in the Final Pronouncement (for discussion purposes)

Analysis

- Re-exposure? (IPSASB's Due Process §A41–A43)
 - Two conditions for re-exposure:
 - “**Substantial change** to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IPSASB before it reaches a final conclusion”;
 - “**Substantial change** to the **substance** of a proposed international standard”.
- The two conditions are not met for re-exposure.
- However, there may be benefit in exposure to enhance the communication to draw attention to the amendments to other IPSAS.

Staff and Task Force View

- No need for re-exposure because there was no substantial change in the proposed requirements, and they were generally supported by constituents. Only the location of guidance would be changed.
- Explain in the **Basis for Conclusions** and **At-a-Glance**.

Enhancements to Guidance on Concessionary Leases for Lessors

Analysis

- Appendix A.1 – Enhancements **accepted** by Staff and Task Force
- Appendix A.2 – Enhancements **not accepted** by Staff and Task Force

Recommendation

- Respondents' suggested enhancements to ED 84 proposals for Final Pronouncement:
 - **Include** enhancements identified in Appendix A.1
 - **Not to include** enhancements identified in Appendix A.2

Enhancements to Guidance on Concessionary Leases for Lessees

Analysis

- Appendix A.1 – Enhancements **accepted** by Staff and Task Force
- Appendix A.2 – Enhancements **not accepted** by Staff and Task Force

Recommendation

- Respondents' suggested enhancements to ED 84 proposals for Final Pronouncement:
 - **Include** enhancements identified in Appendix A.1
 - **Not to include** enhancements identified in Appendix A.2

Enhancements to Guidance on Right-of-Use Assets In-kind

Analysis

- Appendix A.1 – Enhancements **accepted** by Staff and Task Force
- Appendix A.2 – Enhancements **not accepted** by Staff and Task Force

Recommendation

- Respondents' suggested enhancements to ED 84 proposals for Final Pronouncement:
 - **Include** enhancements identified in Appendix A.1
 - **Not to include** enhancements identified in Appendix A.2

Draft Basis for Conclusions (for discussion purposes)

Analysis

- **Structure and sequencing of Basis for Conclusions**
 - Part 1: Basis for Conclusions to IPSAS 43
 - Part 2: Basis for Conclusions to IPSAS 47
 - Follow the sequence of the requirements in the final pronouncement
- **Replacement of amendments to IPSAS 23 with amendments to IPSAS 47**
 - Reference to IPSAS 47, instead of IPSAS 23
- **Level of detail**
 - Inclusion of most important issues raised by, and suggestions made by respondents

**Staff and Task Force
seek the views of the
IPSASB.**