



International Accounting Standards
Board (IASB)
30 Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

25 March 2021

Dear Board Member,

Re: ED/2020/4 Lease Liability in a Sale and Leaseback - Proposed amendment to IFRS 16

BusinessEurope is pleased to take the opportunity to respond to the Exposure Draft *Lease Liability in a Sale and Leaseback - Proposed amendment to IFRS 16* (the ED).

We do not agree with the ED's proposed approach to the accounting for the right-of-use asset (RoU asset) and the lease liability arising from a sale and leaseback.

We think that the approach to the recognition and measurement of the lease liability in the context of variable lease payments was clearly established during the process of elaboration of IFRS 16. The proposal contained in the ED represents an exception to the relevant principles of IFRS 16 and therefore creates an internal contradiction to the principles of the existing standard as far as both initial and subsequent accounting are concerned. In our view, the general principle of the standard should not be made subordinate to the specific outcome that the Board requires.

We think that where the sale-and-leaseback transaction results in a situation in which the seller-lessee has a genuine option of whether to use the asset (and therefore to incur a liability), or not to use it, then the economic position is substantially different from the seller-lessee's previous status as owner of the asset. In addition, in this situation, the buyer-lessor would appear to have no certainty about the income stream it might receive. This change in economic situation can be sufficient to justify full recognition of the gain.

We recognise of course that the Board has full discretion about whether to apply the principles of the 2018 Conceptual Framework for Financial Reporting or to make exceptions to them in its standard setting. The proposed treatment of the liability resulting from the sale and leaseback would appear to be one of these exceptions. We



are of the opinion, however, that exceptions to the Framework which result in internal contradictions in a given standard should be made only in very rare circumstances.

We are therefore in agreement with the Alternative view of Ms F Flores laid out in the ED and would request that the Board performs a full review and analysis of both the general principles for the recognition of initial and subsequent liabilities under IFRS 16 and what the objective of sale-and-leaseback accounting should be.

If you have any questions on any of the above, please do not hesitate to get in touch with us.

Yours sincerely,

Erik Berggren
Senior Adviser