

IFRS Developments

IASB issues Request for Information for the IFRS 16 Post-implementation Review

What you need to know

- The IASB has issued a Request for Information as part of the Post-implementation Review of IFRS 16 *Leases*
- The IASB is seeking feedback on the application of the standard
- The Request for Information is open for public comment until 15 October 2025

Highlights

On 17 June 2025, the International Accounting Standards Board (the IASB) issued a Request for Information as part of the Post-implementation Review (PIR) of IFRS 16 *Leases*, which had an effective date of 1 January 2019.

A PIR is part of the IASB's due process to assess the effect of the requirements of a standard on users and preparers of financial statements; it is undertaken some time after the standard has become effective. With this Request for Information, the IASB is seeking feedback on applying IFRS 16.

IFRS 16 represented what was described as the most significant change to lease accounting in more than 30 years. IFRS 16 requires most leases, including those for property, equipment and vehicles, to be "capitalised" by recognising both "right-of-use" assets and lease liabilities on the balance sheet. The change has impacted financial reporting for nearly all entities, across industry sectors, that report under IFRS. This PIR provides an opportunity for the IASB to hear from all stakeholders about its impact.



Background

In March 2009, the IASB and the US national standard-setter, the Financial Accounting Standards Board (FASB), together, the Boards, published a joint Discussion Paper, *Leases: Preliminary Views*. The Discussion Paper set out the Boards' preliminary views on lessee accounting, proposing a "right-of-use" accounting model. The joint project was intended to improve the financial reporting of leasing activities under IFRS and US Generally Accepted Accounting Principles (US GAAP) in the light of criticisms that the previous accounting model for leases failed to meet the needs of users of financial statements. In particular:

- Information reported about operating leases lacked transparency and did not meet the needs of users of financial statements.
- The existence of two different accounting models for leases, in which assets and liabilities associated with leases were not recognised for operating leases but were recognised for finance leases, meant that transactions that were economically similar could be accounted for very differently.
- The previous requirements for lessors did not provide adequate information about a lessor's exposure to credit risk (arising from a lease) and exposure to asset risk (arising from the lessor's retained interest in the underlying asset), particularly for leases of equipment and vehicles that were classified as operating leases.

The Boards decided to address the first two criticisms by developing a new approach to lessee accounting that requires a lessee to recognise assets and liabilities for the rights and obligations created by leases. IFRS 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months and for which the underlying asset is not of low value. The IASB concluded that such an approach would result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, greater transparency of a lessee's financial leverage and capital employed. To address the third criticism, IFRS 16 requires enhanced disclosure by lessors of information about their risk exposure.

Transition to IFRS 16 in 2019 may have been challenging for many entities (e.g., identifying a complete population of leases, and re-evaluating existing systems, processes and controls). Ongoing application can also be challenging, with many estimates and judgement needed, both at initiating and commencing a lease (e.g., identifying lease and non-lease components, determining lease term) and during the life of the lease (e.g., identifying remeasurement events).

In June 2024, the IASB began the PIR of IFRS 16 and in March 2025, it discussed feedback from stakeholders and reviewed academic literature and tentatively agreed on the topics to include in its June 2025 Request for Information.

Topics covered by the Request for Information

A PIR is not intended to resolve every issue that stakeholders raise. However, it can help the IASB in identifying and prioritising issues to address in IFRS 16 or in future standard-setting projects. To help guide stakeholders, the Request for Information targets a range of key topics, including:

- What views stakeholders have on IFRS 16 as a whole, such as: whether it meets its overall objective; whether the core principles of the standard are clear; and how stakeholders perceive the ongoing costs and benefits of applying IFRS 16.
- Whether the requirements to determine the lease term, the variable lease payments and the discount rate are clear and sufficient to apply consistently and whether the usefulness of the financial information resulting from lessees' application of these requirements and the related judgements was as expected by the IASB.

- Whether the ongoing costs of remeasuring lease liabilities (to reflect reassessments of lease liability or lease modifications) are as anticipated by the IASB.
- Whether the benefits to users of the information about lease-related cash flows that lessees present in the statement of cash flows (or disclose in the notes to financial statements) are as expected by the IASB.
- The interactions between the guidance in IFRS 16 and the following guidance in IFRS accounting standards: the definition of an extinguishment in IFRS 9 *Financial Instruments* and, in relation to sale and leaseback transactions, the requirements in IFRS 15 *Revenue from Contracts with Customers* to determine if a transfer of an asset is a sale, and differences between partial and full gain recognition models.

Most topics will allow respondents to reflect on their experiences and provide feedback that will benefit future application of IFRS 16. However, the Request for Information also asks stakeholders to consider the transition requirements. In particular, which transition requirements were helpful to entities and whether entities provided sufficient information to allow users to understand how implementing IFRS 16 changed the entities' financial performance, financial position and cash flows. The feedback will be helpful to the IASB in considering transition provisions as part of future projects.

The Request for Information also includes a "catch-all" question where stakeholders can provide comments on areas beyond the topics listed by the IASB.

Key topics not included in the Request for Information

While the IASB has included a 'catch-all' question, it specifically chose not to include certain topics (or not to include them as separate questions) because, for example, they have already been covered by the PIR of other standards or they are not expected to lead to material effects on entities' financial statements as they are related to narrow issues. These include:

- Whether stakeholders believe it is important to retain convergence between IFRS 16 and US GAAP
- The requirements for identifying a lease
- The recognition requirements and the accounting for non-cash consideration in relation to lessee accounting
- The risk of unintended consequences of having fewer or less detailed requirements in lessor accounting
- The requirements for sale and leaseback transactions with variable lease payments that do not depend on an index or a rate

Whilst no question is raised in relation to the IASB's maintenance pipeline project, *Sale and Leaseback of an Asset in a Single-Asset Entity (IFRS 10 and IFRS 16)*, the IASB, in the context of the fourth Agenda Consultation, confirmed its commitment to starting the project before the next agenda consultation.

Stakeholders might have experience with, or observations from, using IFRS 16 that may suggest additional issues should be raised with the IASB. However, due to the wide range of issues already listed in the Request for Information, stakeholders may wish to focus on the key issues they have encountered in the application of IFRS 16 in their responses to the IASB.

Next steps

Comments are due to the IASB by 15 October 2025. Based on the comments received, the IASB will summarise the findings and decide on what steps, if any, to take as a result of the process.

How we see it

This PIR provides an opportunity for stakeholders to provide feedback to the IASB on the impact of applying IFRS 16, and to highlight any areas where the guidance is considered to be unclear, insufficient, or missing. Stakeholders are encouraged to submit their comments to the IASB, focusing on the key aspects of the standard.

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