

Mr. Jean-Paul Gauzès  
President of the EFRAG Board  
EFRAG  
Square de Meeûs 35  
B-1000 Brussels  
Belgium

Lisbon, 22 February 2021

**Subject:** EFRAG Draft Comment Letter on Lease Liability in a Sale and Leaseback

Dear Mr. Gauzès,

The Portuguese Accounting Standard Setter (Comissão de Normalização Contabilística - CNC) appreciate the opportunity to comment on the EFRAG Draft Comment Letter on Lease Liability in a Sale and Leaseback.

Concerning the following question:

**Questions to Constituents**

- 11 Do constituents agree that the difference in the initial measurement of a lease liability arising from a leaseback and the liability arising from standalone leases is justified? If you disagree with the proposal, please explain what you suggest instead and why?

CNC believes that IASB ED includes an implicit conflict between the definition of lease payments as in IFRS 16 and related lease liability recognized in a sale and leaseback defined in the IASB's project. CNC believes that at initial recognition of a sale and leaseback that includes variable payments, the economic substance of the transaction should be taken in consideration. So, CNC is of the opinion that a gain or loss may be justified if there is a difference between the liability measured using IFRS 16 requirements and the liability measured with all expected payments included.

In fact, CNC believes that currently sale and leaseback transactions are carried out with one of the following purposes: (1) a mere financing operation, (2) an intention of monetizing of properties or equipment or (3) both. While it can be argued that in transaction (1) the initial recording of any gain or loss from the transaction should be avoided, in transactions (2) or (3) that is not necessarily so.

So, it seems that there are not enough arguments to justify the exception in all the cases to the basic model defined in IFRS 16. In CNC' view, sale and leaseback transactions may imply significant change in the seller-lessee's economic circumstances that can justify recognition of any related gain.

Please do not hesitate to contact us ([secretariado@cnc.min-financas.pt](mailto:secretariado@cnc.min-financas.pt)) for any additional questions.

Sincerely,

CNC Vice-President

*(Lúcia Lima Rodrigues)*