

International Accounting Standards Board
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Cc
Efrag

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Exposure Draft ED/2020/4
Lease Liability in Sale or Leaseback

Thank you for the opportunity to respond to the ED. For the reasons explained in the appendix below, The Swedish Enterprise Accounting Group (SEAG) questions the proposal to use a different approach to measurement of lease liabilities arising for sale and leaseback transactions than what is applied for regular lease liabilities.

Yours sincerely,

CONFEDERATION OF SWEDISH ENTERPRISE



Sofia Bildstein-Hagberg

The Swedish Enterprise Accounting Group (SEAG) represents more than 40 international industrial and commercial groups, most of them listed. The largest SEAG companies are active through sales or production in more than 100 countries.

Appendix

Question 1

The [Draft] amendment to IFRS 16 Leases applies to sale and leaseback transactions in which, applying paragraph 99 of IFRS 16, the transfer of the asset satisfies the requirements to be accounted for as a sale of the asset. The [Draft] amendment proposes:

- (a) to require a seller-lessee to determine the initial measurement of the right-of-use asset by comparing the present value of the expected lease payments, discounted using the rate specified in paragraph 26 of IFRS 16, to the fair value of the asset sold (paragraph 100(a)(i));
- (b) to specify the payments that comprise the expected lease payments for sale and leaseback transactions (paragraph 100A); and
- (c) to specify how a seller-lessee subsequently measures the lease liability arising in a sale and leaseback transaction (paragraph 102B).

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

We do not agree with the proposal to include variable lease payments in the measurement of lease liabilities that arise from a sale and leaseback transaction. In our view, there is no conceptual ground for applying different models for the measurement of lease liabilities depending on their contractual history.

From a practical point of view, we also believe that the requirement to include variable payments that do not depend on an index or rate in the measurement of lease liabilities that arise from a sale and leaseback transactions will be complex for in particular long term leases. It may therefore be difficult and costly to manage systems wise.

For these reasons we believe that lease liabilities that arise from a sale and leaseback transaction should be measured according to the regular measurement model for lease liabilities in IFRS 16.

Question 2

Paragraph C20E of the [Draft] amendment to IFRS 16 proposes that a seller-lessee apply the [Draft] amendment to IFRS 16 retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application of IFRS 16. However, if retrospective application to a sale and leaseback transaction that includes variable lease payments is possible only with the use of hindsight, the seller-lessee would determine the expected lease payments for that transaction at the beginning of the annual reporting period in which it first applies the amendment.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

We have no comments to the proposed transitional requirements.