



Association pour la participation des  
entreprises françaises à l'harmonisation  
comptable internationale



The Chairman of the IASB,  
7 Westferry Circus,  
Canary Wharf,  
London E14 4HD,  
United Kingdom  
19 March 2021

Dear Mr. Hoogervorst,

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

We are pleased to have the opportunity to comment on the exposure draft *Lease Liability in a Sale and Leaseback* (the ED), which follows a recent agenda decision published by the Interpretations Committee relating to sale and leaseback with variable payments.

We do not agree with the proposals in the ED. We share the alternative view expressed by one of the Board members and we believe that the whole topic should be reconsidered in the light of the major principles of IFRS 16 and the internal contradictions that the proposals of the ED will generate.

We note that the measurement of lease liabilities in IFRS 16 excludes variable payments that do not depend on an index or a rate. This measurement principle is the result of a long reflection and consensus among Board members at the time IFRS 16 was issued. We do not think that this should be called into question solely because one wants to force a particular accounting outcome, namely, limiting the gain recognised in a sale and leaseback (and all the more so since these are fairly rare transactions). We believe that the measurement provisions in IFRS 16 relating to the lease liability should also prevail in a sale and leaseback transaction. We think that the proposals in the ED weaken the standard and

raise questions concerning the treatment for variable payments in the future. All the reasons that led the Board originally to exclude variable payments linked to future performance or use from the lease liability are still relevant in the context of a sale and leaseback transaction: these payments are avoidable and thus do not meet the definition of liability and are subject to a high level of measurement uncertainty.

Furthermore, we do not think that the proposed accounting reflects the economics of the transaction. In contrast with the Board's explanation in the Basis for Conclusions, we think that a seller-lessee no longer has the same right to use the asset for the lease term as it had before the transaction— it now has to share benefits with the buyer-lessor. Indeed, variable lease payments linked to future performance or use could be viewed as a means by which the lessee and lessor can share the future economic benefits to be derived from the use of the asset.

We believe that the seller-lessee is not in the same economic situation as in a sale and leaseback with fixed payments. This specific economic situation has certainly been reflected in the sale price on which the parties have agreed upon the initial assignment. We expect that the value (and thus the sale price) of a property with no lease contract associated (or associated with a lease contract whose payments are linked to future performance or use) is lower than the price that could have been agreed for a property associated with a fixed payment lease. The potential gain on disposal is therefore de facto already limited in this specific fact pattern. It therefore does not seem inconsistent in that case to recognise the full gain on disposal.

We therefore agree with Mrs Flores that the matter should be re-examined, starting with the request initially submitted to the IFRS Interpretations Committee, and that a full discussion is needed of what principle should prevail at initial recognition of a sale and leaseback transaction that includes variable payments.

If you require any further information about the above, please do not hesitate to contact us.

Yours sincerely,

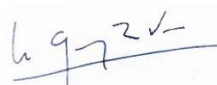
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