



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

March 12, 2021

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus, Canary Wharf,
London E14 4HD, United Kingdom

Dear Mr. Hoogervorst,

Response on IFRS Standards Exposure Draft ED/2020/4 - Lease Liability in a Sale and Leaseback

The Thailand Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to respond on *IFRS Standards Exposure Draft ED/2020/4 - Lease Liability in a Sale and Leaseback*. From our viewpoint, we have some concerns with the proposal for the measurement of the right-of-use asset and lease liability arising in a sale and leaseback transaction. Please see our comments and recommendations on this in the attachment.

Please find our responses to the specific survey raised in *IFRS Standards Exposure Draft ED/2020/4 - Lease Liability in a Sale and Leaseback* in an attachment. We believe that these responses will help the practitioners in the future and that our response will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Thailand Federation of Accounting Professions of Thailand.

The Thailand Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Toommanon
Chairman of Thai Accounting Standards Board
Thailand Federation of Accounting Professions
Bangkok, Thailand



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

Question 1—Measurement of the right-of-use asset and lease liability arising in a sale and leaseback transaction (paragraphs 100(a)(i), 100A and 102B of the [Draft] amendment to IFRS 16)

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.

TFAC: We have some recommendations concerning the inclusion of variable lease payments (regardless of whether they depend on an index or a rate as described in 100A(b)) in the measurement of the right-of-use asset and lease liability arising in a sale and leaseback transaction will impact to high cost of estimation of variable lease payments and other reasons as below;

1. From the point of view of financial statements users, including existing and potential investors, lenders and other creditors, it could affect the comparability of the financial statements as for a lease that does not involve sale and leaseback transactions, a lessee excludes variable lease payments when measures the lease liability however for a lease that involves sale and leaseback transactions, the determining of lease liability will include these variable lease payments.



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2. There is a high level of uncertainty in measuring the lease liability because of variable payments. The lease liability may not be able to reasonably estimated due to such variable payments, especially for the long-term lease. Moreover, high cost is associated with such estimates because of the high volume of leases held by some lessees.

For the reasons above, we view that the inclusion of the variable lease payments (regardless of whether they depend on an index or a rate) in the expected lease payments is not suitable for a sale and leaseback transaction.

Our suggest is that the sale and leaseback transactions should not be changed to include variable lease payments in lease liability; however, we agreed to use the variable lease payments for the calculation of the amount of any gain or loss that a seller-lessee shall be recognised at the date of transaction (as described in paragraph 100(a)). The difference between the gain determined for the case that the lease liability includes variable lease payment and the case that does not shall be recognized as the ‘deferred gain’ and allocated on a systematic basis (for example (1) straight-line method, (2) in accordance with the amortization of lease liability or (3) in accordance with the depreciation of the right-of -use asset).

For the transition, we suggest that a seller-lessee apply to the sale and leaseback transactions either:

- (a) retrospectively to each prior reporting period presented applying IAS 8; or
- (b) retrospectively with the cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained earnings at the date of initial application.



Question 2—Transition (paragraph C20E of the [Draft] amendment to IFRS 16)

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.

TFAC: Please see the comment in the ‘Question 1’ as above.