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**Comment to  
Exposure Draft 75, Leases and  
Request for Information: Concessionary Leases and Other Arrangements Simi-  
lar to Leases**

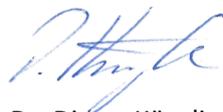
Dear Mr. Smith,

Thank you for the opportunity to comment on the International Public Sector Accounting Standards Board (IPSASB) Exposure Draft 75, Leases and Request for Information: Concessionary Leases and Other Lease-Like Arrangements.

We have given our responses to the specific matters and questions for comment respondents as an attachment to this letter.

Should you have any questions, please do not hesitate to contact us.

Yours sincerely,



Dr. Dieter Künzli  
Head of Finance & Human Resources



Simone Giesbrecht  
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- Comment to Exposure Draft 75, Leases
- Comment to Request for Information: Concessionary Leases and Other Arrangements Similar to Leases

## Comment to Exposure Draft 75, Leases

### Specific Matter for Comment 1

*The IPSASB decided to propose an IFRS 16-aligned standard in ED 75 (see paragraphs BC21–BC36). Do you agree with how the IPSASB has modified IFRS 16 for the public sector (see paragraphs BC37–BC60)? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.*

Response:

The ETH Domain takes a critical view of ED 75.

The ETH Domain regards the ability to gain an overall picture as essential to lease accounting. Adopting a phased approach to implementing the different types of leases and other arrangements similar to leases (ED 75 and public sector specific leases) is considered to present challenges and does nothing to encourage acceptance of the standard. The ETH Domain is therefore of the opinion that it should be possible to implement the standard in a single step, including the elements relating to the public sector.

Ensuring the completeness of leases, and of other lease-type arrangements in particular, is moreover complex and time-consuming. The disclosure requirements are demanding and not geared to the public sector, with the result that insufficient attention is paid to the cost-benefit ratio.

Having different lease accounting models for lessors and lessees takes insufficient account of the special control and ownership situation in the public sector. Each of the six institutions in the ETH Domain publishes its own financial report in accordance with IPSAS. These figures are included in the consolidated financial report of the ETH Domain as well as in the Federal consolidated financial statements. Differing treatment of “lessors” and “lessees”, particularly in respect of lease-type arrangements specific to the public sector, therefore presents numerous problems and discrepancies requiring clarification.

We consider that a full evaluation of the asynchronous accounting models for lessors and lessees cannot be undertaken until the specific elements relating to the public sector have been analysed.

### Specific Matter for Comment 2

*The IPSASB decided to propose the retention of the fair value definition from IFRS 16 and IPSAS 13, Leases, which differs from the definition proposed in ED 77, Measurement (see paragraphs BC43–BC45). Do you agree with the IPSASB’s decision? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.*

Response:

The ETH Domain agrees with the proposal to retain the current definition of fair value according to IFRS 16 and IPSAS 13 in the new standard for leases. However, any later amendment after the conclusion of the Measurement project should be avoided at all costs. Coordinating the two projects in terms of content and timing would nevertheless be desirable.

**Specific Matter for Comment 3**

*The IPSASB decided to propose to refer to both “economic benefits” and “service potential”, where appropriate, in the application guidance section of ED 75 on identifying a lease (see paragraphs BC46–BC48). Do you agree with the IPSASB’s decision? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.*

**Response:**

The ETH Domain agrees with the decision of the IPSASB to refer to both economic benefits and service potential when identifying a lease.

## **Comment to Request for Information: Concessionary Leases and Other Arrangements Similar to Leases**

### **Question 1:**

In your jurisdiction, do you have concessionary leases (or similar arrangements) as described in this RFI? If yes, please:

(a) Describe the nature of these leases (or similar arrangements) and their concessionary characteristics; and

#### Response:

Concessionary leases as well as leases for zero or nominal considerations may in principle occur in relation to research contracts and spin-offs. However, this very much depends on how arrangements similar to leases are defined. In most cases, the parties are jointly participating in a research partnership, and explicitly awarding exclusive right of use to one contracting party does not usually make sense for research partnerships. Research contracts and research partnerships often contain clauses whereby individual partners contribute benefits in kind, thus enabling researchers at the institutions of the ETH Domain, or external third parties, to make use of the research partner's premises and infrastructure free of charge, or in return for another type of consideration. These contractual clauses are based on the principle of reciprocity and do not constitute an explicit right of use for one contracting party only. The free or reduced-cost use of specific research facilities forms part of the global research community's business model. Such transactions could potentially be classified as leases, depending on the definition of public sector specific lease-type arrangements. It will clearly be necessary to search through the contracts to find such agreements, and this will incur very high costs given the large number of contracts and the way that the decentralised structure has resulted in widely differing contractual conditions. Taking materiality considerations into account, such a procedure is therefore regarded as of limited usefulness.

(b) Describe the accounting treatment applied by both parties to the arrangement to these types of leases (or similar arrangements), including whether the value of the concession is reflected in the financial statements.

#### Response:

At present, rights of use in research contracts, especially for zero/nominal consideration, are not treated as services in kind or donated rights, because the latter usually require some kind of consideration. Given the large number of contracts affected, and the difficulties involved as regards gathering data, separability and valuation, the rights of use included in research contracts are not recorded. The notes to the consolidated financial statements simply contain a general description of the research activities.

**Question 2:**

In your jurisdiction, do you have leases for zero or nominal consideration as described in this RFI? If yes, please:

(a) Describe the nature and characteristics of this type of lease (or similar arrangement); and

Response:

In the ETH Domain certain donated rights apply to buildings used for teaching and research, for which no direct consideration need be paid in return. In these cases the ETH Domain sometimes appears not only as “lessee” but also as “lessor”, such as in relation to spin-offs.

(b) Describe if and how the value of the concession is reflected in the financial statements of both parties to the arrangement.

Response:

Donated rights are assessed in accordance with IPSAS 23 and recognised similar to a finance lease or operating lease in compliance with IPSAS 13.

Donated Rights in the context of research contracts are not included here (see answer to question 1).

**Question 3:**

Does your jurisdiction have arrangements that provide access rights for a period of time in exchange for consideration? If yes, please describe the nature of these arrangements and how they are reflected in the financial statements of both parties to the arrangement.

Response:

The opportunities for such rights are relatively wide-ranging in the ETH Domain, and ensuring the completeness of access rights is costly and complex. Certain access rights may exist in different research contracts. However, their extent very much depends on how the term is defined. In some cases, for example, there are access rights to laboratories. Furthermore, contracts relating to the different research units may specify certain access rights to private property. An analysis of such contracts has not been undertaken to date for considerations of materiality.

**Question 4:**

In your jurisdiction, do you have arrangements with the same or similar characteristics to the one identified above? If yes, please describe the nature of these arrangements and how they are reflected in the financial statements of both parties to the arrangement.

Response:

In the ETH Domain certain donated rights exist for buildings that may be used for teaching and research. In addition, research partnerships also specify partial use of laboratories or equipment (joint research). However, these do not comprise an exclusive right of use for one party.

**Question 5:**

In your jurisdiction, do you have arrangements involving social housing with lease-type clauses or other types of lease-like arrangements with no end terms? If yes, please describe the nature of these arrangements and how they are reflected in the financial statements of the social housing provider.

Response:

No such arrangements are known to exist in the ETH Domain.

**Question 6:**

In your jurisdiction, do you have arrangements involving the sharing of properties without a formal lease contract? If yes, please describe the nature of these arrangements and how they are reflected in the financial statements of both parties to the arrangement.

Response:

No such arrangements are known to exist in the ETH Domain.

**Question 7:**

In your jurisdiction, do you have other types of arrangements similar to leases not mentioned in this RFI? If so, please describe the characteristics of these arrangements and how they are presently being reflected in the financial statements of both parties to the arrangement.

Response:

The majority of the real estate used by the ETH Domain is owned by the Swiss Confederation and is therefore not included in the ETH Domain's consolidated financial statements. The ETH Domain receives a contribution to accommodation from the federal government to cover the expenses of renting the properties (based on the depreciation and capital costs of the real estate owned by the Confederation).

The federal contribution to accommodation recognised as income and the accommodation expense recognised as an operating expense are entered as equivalent gross amounts, so these two items net each other in the annual financial statements.

We do not know of any other arrangements that need mentioning.