

Other Lease-Type Arrangements

Feedback Statement

Table of Contents

Feedback statement purpose.....	2
A brief history of the Leases project.....	3
Feedback overview	4
1) Concessionary leases.....	5
2) Arrangements that convey the right to use an underlying asset for zero consideration.....	5
3) Access rights.....	6
4) Arrangements allowing right-of-use	7
5) Social housing rental arrangements.....	8
6) Shared properties with or without a lease arrangement in place.....	9
Appendix A – Questions asked in the Request for Information	11
Appendix B – Feedback sources.....	13

Feedback statement purpose

In January 2021, the IPSASB published the [Request for Information \(RFI\), *Concessionary Leases and Other Arrangements Similar to Leases*](#) as part of the phase two of the Leases project. The RFI was intended to provide the IPSASB with further information on the issues that need to be considered in accounting for these types of arrangements that are quite common in the public sector.

The purpose of this Feedback Statement is to:

- (a) Highlight the most significant matters raised by constituents in the RFI consultation and the associated standard-setting activities which follow; and
- (b) Summarize the how these topics are addressed in current and developing IPSAS (including Exposure Draft (ED) 84, *Concessionary Leases and Right-of-Use Assets In-kind* (Amendments to IPSAS 43 and IPSAS 23)).



A brief history of the Leases project

In January 2021, the IPSASB published [IPSAS 43, Leases](#) as part of the phase one of the Leases project.

IPSAS 43 is aligned with IFRS 16, *Leases* and supersedes IPSAS 13, *Leases*.

IPSAS 43 has an effective date of January 1, 2025, with earlier application permitted.

In January 2021, the IPSASB published the RFI to gather information on the public sector issues specific to concessionary leases and other arrangements similar to leases.

As a result of the consultation process, in January 2023, the IPSASB published ED 84.



Feedback overview

[Appendix A](#) shows the questions asked in the Request for Information. [Appendix B](#) shows the feedback sources.

The feedback received provided highly, diversified, complex, and specific fact patterns. The feedback also provided a different degree of explanation of fact patterns—varying between a brief explanation of fact patterns to a more detailed explanation.

One of the key issues of the Request for Information was on concessionary leases and arrangements that convey the right to use the underlying asset for zero consideration¹. Respondents confirmed that these types of transactions are prevalent in their jurisdictions.

The Request for Information also asked about the existence of other arrangements similar to leases. Respondents also identified the prevalence of:

- (a) Access rights (65%);
- (b) Arrangements allowing right-of-use (62%);
- (c) Social housing rental arrangements (65%); and
- (d) Shared properties with or without a lease-arrangement in place (69%).

The feedback also showed that less than 40% of respondents recognize the identified arrangements in the financial statements.

The following pages outline the most significant issues raised in the feedback and IPSASB's proposed way forward.

¹ For simplicity reasons, the Request for Information labelled these arrangements as “leases for zero or nominal consideration”.

1) Concessionary leases

Feedback

The feedback received demonstrated that concessionary leases are prevalent in the public sector. All accounting aspects related to concessionary leases were identified as issues addressed in ED 84.

IPSASB's preliminary response

The IPSASB published ED 84 with proposals to amend IPSAS 43, *Leases* on how to identify and account for concessionary leases for both lessees and lessors. For lessees, the ED 84 proposes to measure right-of-use assets in concessionary leases at the present value of payments for the lease at market rates as at the commencement date. ED 84 also proposes to account for the concession applying the principles in IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. This proposed additional guidance will be considered for inclusion in the future Revenue IPSAS if supported by constituents.

For lessors, ED 84 proposes to continue applying the requirements in IPSAS 43 to concessionary leases.

ED 84 also proposes specific additional disclosures for both lessees and lessors.

2) Arrangements that convey the right to use an underlying asset for zero consideration

Feedback

The feedback received also demonstrated that arrangements that convey the right to use an underlying asset for zero consideration are prevalent in the public sector globally. The main issues raised by respondents were not only the accounting treatment of these arrangements, but also whether the arrangements were leases, as defined in IPSAS 43.

IPSASB's preliminary response

The IPSASB clarified in ED 84 that arrangements that convey the right to use an underlying asset for zero consideration do not meet the definition of a lease because of the lack of consideration. As these arrangements convey a right-of-use asset in-kind, ED 84 proposes additional guidance on a transitional basis in IPSAS 23 to:

- (a) Identify a right-of-use asset in-kind applying the principles in IPSAS 43; and
- (b) Measure a right-of-use asset in-kind by following the same principles as for a right-of-use asset in concessionary leases because both right-of-use assets arise from non-exchange transactions.

ED 84 also proposes additional guidance in IPSAS 23 on specific presentation and disclosures for right-of-use assets in-kind. This proposed additional guidance will be considered for inclusion in the future Revenue IPSAS² if supported by constituents.

3) Access rights

Feedback

The feedback received identified seven types of access rights, as described in Table 1:

Table 1 – Types of Access Rights

Type of Access Rights	Description
Access to roads and railways	Right to access public service infrastructure. For example, maintenance or repair works of infrastructure.
Easements	Permanent right to access for installing and maintaining infrastructure with a one-off payment.
Wayleaves	Temporary right to install infrastructure in return for annual payments to the landowner.
Access to land/buildings	Right to access recreation centers, outdoor sport facilities, etc.
Encroachments	Right to access a property that is below or above another property.
Servitudes	Rights that bind land owned by different people.
Right to graze livestock	Right to graze livestock in public lands.

Some of these type of access rights might have different meanings depending on jurisdictions and may or may not involve the exchange of consideration.

² The IPSASB published ED 70, *Revenue with Performance Obligations* and ED 71, *Revenue without Performance Obligations* in February 2020. The IPSASB is finalizing a combined IPSAS that will be applicable for revenues in the public sector.

IPSASB's preliminary response

These seven types of access rights may not meet the definition of a lease nor of a service concession arrangement if the rights transferred in those arrangements do not include:

- (a) The right to obtain substantially all of the economic benefits or service potential from use of the identified asset and the right to direct the use of the identified asset, as required for leases in accordance with IPSAS 43 if they meet the definition of a lease³; and
- (b) Control or regulation of what services the operator must provide with the asset, to whom it must provide them, and at what price, and control—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement, as required for service concession arrangements in accordance with IPSAS 32, *Service Concession Arrangements (Grantor)*, if they meet the definition of a service concession arrangement.

These seven types of access rights may meet the definition of intangible assets in accordance with IPSAS 31, *Intangible Assets* if they are all identifiable nonmonetary assets without physical substance. IPSAS 31 already provides principles on how to identify and account for intangible assets that can be applicable to access rights. The IPSASB is considering adding a project to its work program on intangible assets in the public sector where further non-authoritative guidance on access rights may be considered.

Where third party access rights exist or are granted in relation to a public sector asset, then their impact would need to be addressed in accordance with the future Measurement IPSAS⁴.

4) Arrangements allowing right-of-use

Feedback

The feedback received identified the following characteristics of arrangements allowing the right-of-use:

- (a) Right-of-use arrangements for private sector entities to operate facilities utilizing public sector owned property and equipment including schools, libraries and community halls;

³ IPSAS 43 added extensive authoritative and non-authoritative guidance on how to identify a lease that did not exist in IPSAS 13, *Leases*.

⁴ The IPSASB published ED 77, *Measurement* in April 2021. The IPSASB is finalizing an IPSAS that will be applicable for measurement in the public sector.

- (b) Enable local governments to provide federally owned public sector land such as parks and nature reserves for use by the public for recreational purposes;
- (c) Month-to-month, short-term basis (less than 12 months) or long-term basis; and
- (d) With or without formal contractual agreements.

IPSASB's preliminary response

Arrangements that convey the:

- (a) Right to obtain substantially all of the economic benefits or service potential from use of the identified asset and the right to direct the use of the identified asset are within the scope of IPSAS 43, if they meet the definition of a lease; and
- (b) Control or regulation of what services the operator must provide with the asset, to whom it must provide them, and at what price, and control—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement are within the scope of IPSAS 32, *Service Concession Arrangements (Grantor)*, if they meet the definition of a service concession arrangement.

Arrangements allowing right-of-use may meet the definition of intangible assets in accordance with IPSAS 31, *Intangible Assets*, if they are identifiable nonmonetary assets without physical substance. IPSAS 31 already provides principles on how to identify and account for intangible assets that can be applicable to arrangements allowing right-of-use. The IPSASB is considering adding a project to its work program on intangible assets in the public sector where further non-authoritative guidance on arrangements allowing right-of-use may be considered.

5) Social housing rental arrangements

Feedback

The feedback received identified the following characteristics of social housing rental arrangements:

- (a) More often public sector entities act in the capacity of lessor;
- (b) The lessees tend to be low-income households;
- (c) Consideration is at below-market terms, or with zero consideration or nominal consideration;
- (d) Potential lessees need to meet eligibility criteria to rent social housing; and

- (e) The arrangement can be with or without a specific term or termination date or on a month-to-month basis.

IPSASB's preliminary response

Social housing rental arrangements for zero consideration or with a lack of a specified term do not meet the definition of a lease under IPSAS 43.

According to IPSAS 43, a lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IPSAS 43 provides further guidance on the several elements of a lease.

Preparers should consider applying IPSAS 9, *Revenue from Exchange Transactions* or IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)* as these IPSAS deal with the principles for recognizing and measuring arrangements that arise from exchange and non-exchange transactions, respectively.

6) Shared properties with or without a lease arrangement in place

Feedback

The feedback received identified the following characteristics of shared properties with or without a lease arrangement in place:

- (a) Based on a directive or legislation by the appropriate level of government;
- (b) Arrangements with consideration, zero or nominal consideration;
- (c) Accounting based on past history or on a month-to-month basis; and
- (d) Lease payments are recognized when earned/incurred when the sharing arrangement does not reflect a physically distinct portion of a building.

IPSASB's preliminary response

Shared property with a lease arrangement in place is within the scope of IPSAS 43 if it meets the definition of a lease.

For those arrangements that do not meet the definition of a lease (for example, do not have consideration and/or do not have a specified term), they would be within the scope of IPSAS 9 or IPSAS 23, as appropriate.

Shared property without a lease arrangement in place would:

OTHER LEASE-TYPE ARRANGEMENTS—FEEDBACK STATEMENT

- (a) Not be within the scope of IPSAS 43 because they would not meet the definition of a lease, i.e., a contractual arrangement; and
- (b) Be within the scope of IPSAS 9, *Revenue from Exchange Transactions* or IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, as appropriate, because these Standards provide the accounting principles for transactions based on exchange/non-exchange transactions, respectively.

Appendix A – Questions asked in the Request for Information

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
- (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.

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

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.

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.

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.

OTHER LEASE-TYPE ARRANGEMENTS—FEEDBACK STATEMENT

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.

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.

Appendix B – Feedback sources

In response to the Request for Information, the IPSASB received 26 comment letters, which are available on the IPSASB website.

The feedback received was from a broad regional background and functions, as shown in Figures 1 and 2.

Figure 1 – Geography

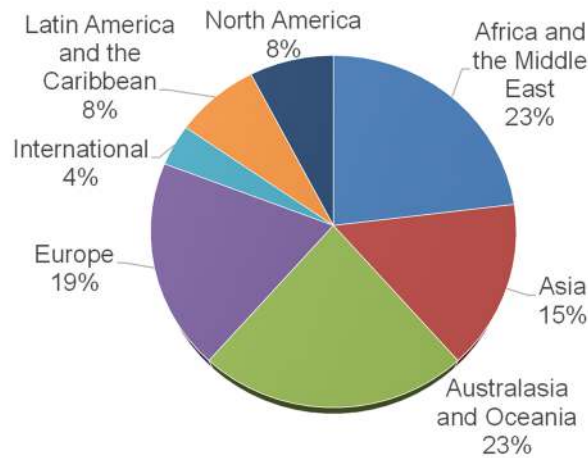


Figure 2 – Function

