



**The Japanese Institute of
Certified Public Accountants**

4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan
Phone: +81-3-3515-1129 Fax: +81-3-3515-1167
Email: hieirikaikai@jicpa.or.jp

May 17, 2021

Mr. Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, Ontario, Canada M5V 3H2

**Comments on the Request for Information
“Concessionary Leases and Other Arrangements Similar to Leases”**

Dear Mr. Smith,

The Japanese Institute of Certified Public Accountants (hereafter “JICPA”) highly respects the International Public Sector Accounting Standards Board (hereafter “IPSASB”) for its continuous effort to serve the public interest. We are also pleased to comment on the Request for Information “Concessionary Leases and Other Arrangements Similar to Leases” (hereafter “RFI”). Our comments to RFI are as follows.

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.

Comments:

(1) Reduction in rent for public housing

In Japan, public housing provided by municipalities for low-income earners is an arrangement that might be a concessionary lease.

The lessors of public housing are municipalities (prefectures, cities, towns or villages). A rent is set when a lessee moves in and depending on the lessee’s income level and the rent is below the market

price. The difference from the market price is covered by a subsidy from the national government. Article 17 of the Act on Public Housing stipulates the method for calculating the “subsidy from the national government” based on the rent for similar housing in the vicinity.

The reduced amount that has been credited is recognized as revenue in the financial statements of municipalities. They can calculate the amount without the reduction, but only net cash balance is journalized as revenue. As subsidies for reduction of rent from national government are recognized as revenue on cash basis, they do not recognize accounts receivable.

(2) Lease of public lands

If municipalities lease a public land to lessees and if the purpose of using the land falls under any of the purposes stipulated in a prefectural or municipal ordinance, the rent for the public land may be reduced or exempted. This applies to cases such as leasing a public land for inviting an enterprise and using a public land for a public use.

(3) Lease of public lands (if a lessee is a national university corporation)

If a national university corporation leases a land, etc. from the national government or municipalities for a price lower than the rent under the market conditions, the difference between the rent under the market conditions and the actual price is practically added to the “opportunity cost” in the Operational Cost Statement of the national university corporation.

The Operational Cost Statement of the national university corporation is one of the financial statements to which costs borne by national university corporation and the national government. Any costs other than the costs actually borne by the national university corporation are also required to be added comprehensively to this statement.

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.

Comments:

As a case of a lease for zero consideration in Japan, nationally-owned lands and buildings are provided to local governments for free for the purpose of using them as COVID-19 vaccination sites. This lease for zero consideration is conducted under Article 22 of the National Government Asset Act. With respect to this case, accounting process is not taken and any disclosure of footnotes, etc. is not made in the financial statements.

As another case, the national government (the Consumer Affairs Agency) lent radioactive material testing equipment (simple gamma ray spectrometers) to municipalities for free of charge for the purpose of confirming food safety after the nuclear power plant accident in the Great East Japan Earthquake. In this case, each municipality that borrowed the testing equipment bore the expenses for maintaining the equipment and any expenses for outsourcing testing work.

As another case, national government assets (mainly lands) are leased to social welfare corporations for free or for a reduced price. These leases are conducted under Article 2 and Article 3 of the Act on Special Measures concerning National Government Asset.

Under Article 22 of the National Government Asset Act, any nationally-owned land may be leased to any municipalities for free of charge if the land is used as a park.

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.

Comments:

N/A

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.

Comments:

N/A

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.

Comments:

With respect to public housing that is a different type from the public housing mentioned in our comments to Question 1, some old lease contracts are with no end terms. Such contracts are provided

by (a) the Urban Renaissance Agency (one of the independent administrative agencies of the national government) and (b) regional public housing corporations. A lease period is set in each original lease contract, the contract period is automatically extended if the contract is not modified, and the contract remains effective for an indefinite period of time unless and until the lessee moves out. With respect to these contracts, the providers recognize revenue for only cash inflows.

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.

Comments:

In Japan, there exist practices of sharing government buildings between national government ministries and their agencies or between the national government and municipalities. Article 15 of the National Government Asset Act stipulates that “if the jurisdiction of a national government asset is transferred from the accounting of a ministry, etc. to the accounting of another ministry, etc. or a national government asset under the jurisdiction of a ministry, etc. is used for the accounting of another ministry, etc. having another jurisdiction, the asset shall be treated as transferred or used for value . . .,” and therefore, a public sector entity may allow its facilities to be used by other public sector entities for value without concluding a lease contract.

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.

Comments:

N/A

Yours sincerely,

Hiroshi Shiina

Executive Board Member - Public Sector Accounting and Audit Practice

The Japanese Institute of Certified Public Accountants