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International Public Sector Accounting Standards Board (IPSASB)
Att: Mr. Ross Smith, Program and Technical Director
529, 5th Avenue
New York 10017
USA

Date	From	Our reference
May 19, 2021	Prof.Dr. Frans van Schaik	

Subject	Your reference
Deloitte's Comment letter Exposure Draft 75 Leases	

Dear Mr. Smith:

Deloitte is pleased to respond to the IPSASB Exposure Draft 75 Leases.

Our responses to the specific matters for comment are included in the Appendix to this letter.

If you have any questions concerning our comments, please contact Frans van Schaik at +31655853527 or fvanschaik@deloitte.com.

Yours sincerely,

Frans van Schaik

Deloitte's Global Leader Government & Public Services, Auditing and Assurance

Deloitte.

Appendix

Specific Matter for Comment 1: We welcome IPSASB's decision to propose an IFRS 16-aligned Standard in ED 75. IPSAS drawn from IFRS 16 in the interim and continue work on the lessor accounting issue, because it may take a significant amount of time to develop an appropriate lessor accounting model given the experiences and challenges the IASB faced.

Scope includes concessionary leases

We agree with how the IPSASB has modified IFRS 16 for the public sector, except for the scope of IPSAS [X] (ED 75) which includes concessionary leases. Preparers of financial statements may have to change their accounting treatment of concessionary leases in order to comply with IPSAS [X] (ED 75) following Phase One, and later on have to again have to change their accounting treatment of concessionary leases in order to comply with the IPSAS standard issued following Phase 2 of IPSASB's project on leases.

Considering materiality when assessing low value

We consider ED75.AG5 and ED75.BC53 inconsistent, because:

- AG5[1] states "regardless of whether those leases are material to the lessee" and "different lessees are expected to reach the same conclusions about whether a particular underlying asset is of low value"

- BC 53[2] states "considering the materiality of leasing transactions in relation to their financial statements," which means that different lessees may reach different conclusions about whether a particular underlying asset is of low value.

We do not think there is a public-sector specific reason to deviate from IFRS 16 in the assessment of a low-value lease, and propose to remove the reference to materiality.

Specific Matter for Comment 2: We agree with IPSASB's proposal to retain the fair value definition from IFRS 16 and IPSAS 13, Leases.

Specific Matter for Comment 3: We agree with IPSASB's proposal to refer to both economic benefits and service potential, where appropriate, in the application guidance section of ED 75 on identifying a lease.

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[1] "AG5. The assessment of whether an underlying asset is of low value is performed on an absolute basis. Leases of low-value assets qualify for the accounting treatment in paragraph 7 regardless of whether those leases are material to the lessee. The assessment is not affected by the size, nature or circumstances of the lessee. Accordingly, different lessees are expected to reach the same conclusions about whether a particular underlying asset is of low value."

[2] "BC53 [..] The IPSASB concluded that public sector entities, if they decide to apply the exemption, should use a threshold for determining leases of low-value assets, considering the materiality of leasing transactions in relation to their financial statements."