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Alerte de votre conseiller – *Aperçu d'IFRS 16 – Cession-bail*

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Aperçu

L'équipe IFRS de Grant Thornton International a publié le bulletin *Insights into IFRS 16 – Sale and leaseback accounting* (en anglais seulement).

La série *Insights into IFRS 16* fournit des informations sur l'application d'IFRS 16, *Contrats de location*, dans des domaines clés. Chaque édition mettra l'accent sur un aspect d'IFRS 16 afin de vous aider à vous préparer aux changements apportés par l'adoption de la norme.

Le plus récent bulletin *Insights into IFRS 16* donne des indications sur la comptabilisation des transactions de cession-bail.

Enjeu

IFRS 16 apporte des changements importants à la comptabilisation des transactions de cession-bail.

Une transaction de cession-bail est un moyen populaire qui permet aux entités d'obtenir un financement à long terme provenant d'immobilisations corporelles importantes, comme des terrains et des bâtiments. Il s'agit d'une transaction dans le cadre de laquelle une entité (le « vendeur-preneur ») cède un bien à une autre entité (l'« acheteur-bailleur ») moyennant une contrepartie, puis le reprend en location de l'acheteur-bailleur.

IAS 17, *Contrats de location,* a traité en détail de la comptabilisation d'une transaction de cession-bail, mais seulement du point de vue du vendeur-preneur. Comme IFRS 16 a retiré les concepts de contrats de location simple et de contrats de location-financement de la comptabilisation par le preneur, les dispositions comptables que le vendeur-preneur doit appliquer à une transaction de cession-bail sont plus simples. De plus, IFRS 16 offre un aperçu des dispositions comptables pour un acheteur-bailleur.

Le bulletin explique les nouveaux concepts et présente un exemple simplifié des dispositions.

Ressource

Le bulletin *Insights into IFRS 16 – Sale and leaseback accounting* est joint à la présente *Alerte de votre conseiller*.

À propos de Raymond Chabot Grant Thornton

Raymond Chabot Grant Thornton S.E.N.C.R.L. est un cabinet comptable et de consultation de premier plan qui fournit aux sociétés fermées et ouvertes des services de certification et de fiscalité et des services-conseils. Ensemble, Raymond Chabot Grant Thornton S.E.N.C.R.L. et Grant Thornton LLP au Canada comptent plus de 4 400 professionnels répartis dans tout le Canada. Raymond Chabot Grant Thornton S.E.N.C.R.L. est un cabinet membre de Grant Thornton International Ltd (Grant Thornton International). Grant Thornton International et les cabinets membres ne constituent pas une association mondiale. Les services sont offerts de façon indépendante par les cabinets membres.

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Insights into IFRS 16

Sale and leaseback accounting

IFRS 16 makes significant changes to sale and leaseback accounting. A sale and leaseback transaction is one where an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) for consideration and leases that asset back from the buyer-lessor.

A sale and leaseback transaction is a popular way for entities to secure long-term financing from substantial property, plant and equipment assets such as land and buildings.

IAS 17 covered the accounting for a sale and leaseback transaction in considerable detail but only from the perspective of the seller-lessee.

As IFRS 16 has withdrawn the concepts of operating leases and finance leases from lessee accounting, the accounting requirements that the seller-lessee must apply to a sale and leaseback are more straight forward. In addition, IFRS 16 provides an overview of the accounting requirements for buyer-lessors too.

When a seller-lessee has undertaken a sale and lease back transaction with a buyer-lessor, both the seller-lessee and the buyer-lessor must first determine whether the transfer qualifies as a sale. This determination is based on the requirements for satisfying a performance obligation in IFRS 15 'Revenue from Contracts with Customers'.

The accounting treatment will vary depending on whether or not the transfer qualifies as a sale. This is described below.

Transfer of the asset is a sale

If the transfer qualifies as a sale and the transaction is on market terms the seller-lessee effectively splits the previous carrying amount of the underlying asset into:

- a right-of-use asset arising from the leaseback, and
- the rights in the underlying asset retained by the buyer-lessor at the end of the leaseback.

The seller-lessee recognises a portion of the total gain or loss on the sale. The amount recognised is calculated by splitting the total gain or loss into:

- an unrecognised amount relating to the rights retained by the seller-lessee, and
- a recognised amount relating to the buyer-lessor's rights in the underlying asset at the end of the leaseback.

The leaseback itself is then accounted for under the lessee accounting model.

The buyer-lessor accounts for the purchase in accordance with the applicable standards (eg IAS 16 'Property, Plant and Equipment' if the asset is property, plant or equipment or IAS 40 'Investment Property' if the property is investment property). The lease is then accounted for as either a finance lease or an operating lease using IFRS 16's lessor accounting requirements.

Adjustments are required if consideration for the sale is not at fair value and/or payments for the lease are not at market rates. These adjustments result in recognition of:

- a prepayment to reflect below-market terms
- additional financing provided by the buyer-lessor to the seller-lessee to reflect above-market terms.

Example 1 – Sale and leaseback

SellCo sells a building to BuyCo for cash of CU1,800,000, which is its fair value at that date. The previous carrying value of the building is CU1,000,000. At the same time, SellCo enters into a lease with BuyCo conveying back the right to use the building for 18 years. Annual payments are CU120,000 payable at the end of each year, which is at market rate. The transfer qualifies as a sale based on the guidance on satisfying a performance obligation in IFRS 15.

The rate implicit in the lease is 4.5%, which is readily determinable by SellCo.

Analysis

SellCo

The present value of the annual payments (18 payments of CU120,000, discounted at 4.5%) is CU1,459,200.

SellCo measures the right-of-use asset retained through the leaseback as a proportion of the previous carrying amount of the building. This is calculated as: CU1,000,000 (previous carrying value) x [CU1,459,200 (PV of lease payments)/ CU1,800,000 (fair value of building)]. The right-of-use asset calculated in this way is CU810,667.

SellCo recognises a portion of the total gain on the sale, to the extent it relates to the rights retained in the underlying asset by BuyCo at the end of the leaseback. The total gain on sale of building is CU800,000 (CU1,800,000 – CU1,000,000). This total is split into:

- the portion relating to the rights to use the building retained by SellCo, calculated as CU800,000 × [CU1,459,200/ CU1,800,000] which is CU648,533; and
- the portion relating to BuyCo's rights in the underlying asset at the end of the leaseback, calculated as CU800,000 × [(CU1,800,000 – CU1,459,200)/CU1,800,000], which is CU151,467.

At the commencement date, SellCo's accounting entries are:

	Debit (CU)	Credit (CU)
Cash	1,800,000	
Right-of-use asset	810,667	
Building		1,000,000
Gain on sale		151,467
Lease liability		1,459,200

BuyCo

At the commencement date, BuyCo's accounting entries are:

	Debit (CU)	Credit (CU)
Building	1,800,000	
Cash		1,800,000

BuyCo classifies the lease as an operating lease taking into account, among other things, that the present value of the lease payments is 19% less than the fair value of the building. BuyCo accounts for the lease accordingly.

Transfer of the asset is not a sale

If the transfer does not qualify as a sale the parties account for it as a financing transaction. This means that:

- the seller-lessee continues to recognise the asset on its balance sheet as there is no sale. The seller-lessee accounts for proceeds from the sale and leaseback as a financial liability in accordance with IFRS 9. This arrangement is similar to a loan secured over the underlying asset – in other words a financing transaction
- the buyer-lessor has not purchased the underlying asset and therefore does not recognise the transferred asset on its balance sheet. Instead, the buyer-lessor accounts for the amounts paid to the seller-lessee as a financial asset in accordance with IFRS 9. From the perspective of the buyer-lessor, this arrangement is a financing transaction.

Sale and leaseback transactions on transition to IFRS 16

Where the overall sale and leaseback arrangement has been settled (ie the lease has expired) before the date of initial application of IFRS 16 then there is nothing to consider.

However, those transactions that are important to consider on transition to IFRS 16 are those sale and leaseback transactions entered into before the date of initial application of IFRS 16 and which still have historic balances that need to be accounted for until the end of the leaseback period.

Therefore, on applying IFRS 16 for the first time, an entity will need to consider any on-going leases, and assets and liabilities that remain because of historic sale and leaseback transactions accounted for under IAS 17.

The following questions should be considered when determining the correct accounting treatment on transition to IFRS 16:

1 Do entities re-assess sale and leaseback transactions arising before transition to assess whether they were a sale under IFRS 15?

The answer is no. The IASB have said that the historic judgements on previous sale and leaseback arrangements are not re-opened.

IFRS 15 is only applicable when a sale and leaseback transaction has occurred on or after the date of initial application of IFRS 16.

2 From the perspective of the seller-lessee, what if a transaction was a sale and finance leaseback under IAS 17?

Where a transaction was a sale and finance leaseback the entity continues to account for the finance leaseback like any other finance lease at transition to IFRS 16.

For example, the seller-lessee will reflect a right-of-use asset and a lease liability.

Any deferred gain arising on the historical application of IAS 17 continues to be amortised going forward under IFRS 16.

3 From the perspective of the seller-lessee – what if a transaction was a sale and operating leaseback under IAS 17?

The entity accounts for the operating leaseback like any other operating lease at transition to IFRS 16. The seller-lessee will again reflect a right-of-use asset and a lease liability.

However, this time the seller-lessee adjusts the right-of-use asset for any deferred gains or losses relating to off-market terms remaining on the balance sheet immediately prior to date of initial application of IFRS 16.

Contact us

We hope you find the information in this article helpful in giving you some detail into aspects of IFRS 16. If you would like to discuss any of the points raised, please speak to your usual Grant Thornton contact or visit www.grantthornton.global/locations to find your local member firm.

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