

IPSAS 43 Leases

Implementation considerations

IPSAS 43 Leases

In January 2022, the IPSASB published IPSAS 43 *Leases*, which is aligned with IFRS 16 *Leases*.

IPSAS 43 sets out a comprehensive model for the identification of lease arrangements and the treatment in the financial statements of both lessees and lessors.

A notable aspect of IPSAS 43 is that the lessee and lessor accounting models are asymmetrical. While the IPSASB has retained the IPSAS 13 finance lease/ operating lease distinction for lessors, the distinction is no longer relevant for lessees.

All lease contracts, including rental contracts, will be recognized on the statement of financial position of the lessees, with some exceptions in limited circumstances. For lessees, IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to ownership model in IPSAS 13 *Leases*.

IPSAS 43 will replace IPSAS 13 for reporting periods beginning on or after 1 January 2025 with a retrospective application by default.

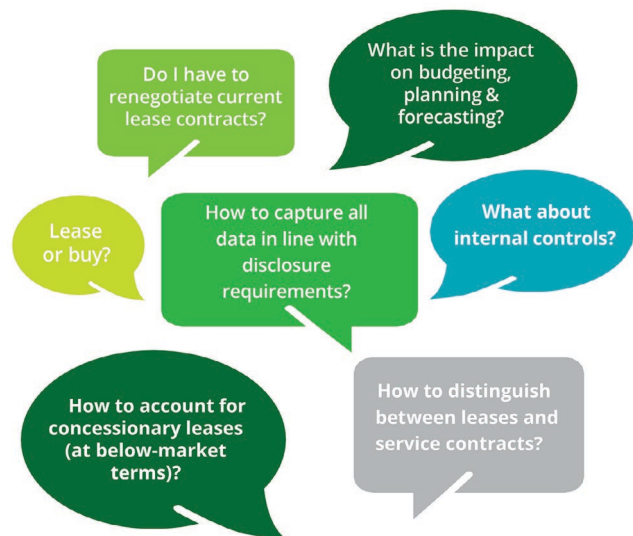
The publication of IPSAS 43 completed Phase One of the IPSASB's Leases project.

Phase Two of the Leases project (relabelled as Other Lease-Type Arrangements project) led to the publication in January 2021 of a Request for Information (RFI), *Concessionary Leases and Other Arrangements Similar to Leases*.

The objective of the Other Lease-type Arrangements project is to develop additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements specific to the public sector, such as concessionary leases (granted to or received by an entity at below-market terms).

The time to act is now. So get it on balance!

Some Relevant Questions



How We Can Help



Impact assessment and implementation approach

In line with your individual requirements and preliminary analysis, we develop the best approach to introduce the new leasing standard within your organization



Contract review

List all contracts that are affected under the new leasing standard and develop a leasing database with terms and conditions.



Systems & processes

Identify the gaps in your current system. Implement the lease accounting and lease financing guidelines and tools.



Change in strategy

Assist you in identifying the best strategy for future leasing contracts and contract terms.



Audit support and communication

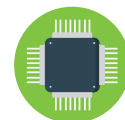
We support you in communicating the impact of the new leasing standard to external parties (including external auditors) and within your organization to various stakeholders.

Lease Exemptions



Short-term leases

Any lease that has a lease term of 12 months or less is classified as a short-term lease, unless it contains a purchase.



Lease of low-value assets

Low-value assets (e.g., low-value printers, telephones, computers) may be maintained off-statement of financial position.



Vehicles



Buildings



IT Equipment

Main Lease Contracts Impacted in Public Sector

Key Phases to a Successful Implementation



Phase 0: Project Governance, Initial Assessment and Planning

The preliminary phase of the adoption effort should focus on developing a robust project governance, performing a preliminary readiness assessment, and setting up the planning for implementation.



Phase 1: Developing Accounting Policies and Assessing Accounting Judgments

The key accounting judgments and transition reliefs under the new leases standard should be assessed, in view of developing the entity's accounting policies. Once completed, the set-up of the revised chart of accounts and disclosure notes can be prepared.



Phase 2: Data Gap Analysis, Lease Identification and Data Collection

The detailed analysis, in which the need for new processes and systems for the identification, recording and management of leases should be identified.



Phase 3: Deployment and Adoption

In order to achieve the successful roll out of the upcoming new leasing standard principles prior to transition date, Phase 3 entails the implementation of new financial reporting and business processes, internal controls and systems (including the deployment of a new technology solution and related data validation/migration).



Phase 4: Maintenance and Aftercare

This involves performing a post-implementation review regarding IT (Information Technology) systems and newly implemented internal controls and processes, as well as maintaining lease data on an ongoing basis.

Contact details

For more information please contact:

Thomas Carlier

**Partner – Head of Brussels
IPSAS/IFRS Centre of Excellence**

Accounting and Reporting Advisory

Tel: +32 2 800 20 37

Email: tcarlier@deloitte.com

Marie-Pierre Lenain

**Director – IPSAS Team Lead
(Public Sector)**

Accounting and Reporting Advisory

Tel: +32 2 639 49 73

Email: mlenain@deloitte.com

Frans Van Schaik

**Deloitte's Global Leader
Government & Public Services A&A**

Audit & Assurance

Tel: +31 88 288 1357

Email: fvanschaik@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax and legal, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 312,000 professionals, all committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.