

IFRS 16 sets out a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. One of the most notable aspects of IFRS 16 is that the lessee and lessor accounting models are asymmetrical.

While the IASB has retained IAS 17's finance lease/operating lease distinction for lessors, the distinction is no longer relevant for lessees. **All lease contracts**, including renting contracts, will be recognised **on the balance sheet of the lessees**, with some exceptions in limited circumstances.

The standard will have broad implications for **many stakeholders and metrics**, including finance departments, property teams, banking covenants, remuneration schemes, and regulatory compliance.

IFRS 16 will **replace IAS 17** for reporting periods beginning on or after **1 January 2019** with a retrospective application by default.

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

Contact

For more information please contact:

Thomas Carlier

Partner Audit

Tel: +32 2 800 20 37

Email: tcarlier@deloitte.com

Tom Van Cauwenberge

Partner Consulting & Advisory

Tel: +32 2 800 22 79

Email: tvancauwenberge@deloitte.com

Tom Van Havermaet

Director Audit

Tel: +32 474 62 60 08

Email: tvanhavermaet@deloitte.com

Sven Bosman

Senior Manager Consulting & Advisory

Tel: +32 471 49 53 50

Email: sbosman@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 200,000 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.

© June 2017, Deloitte Belgium

Deloitte.



IFRS 16 - Leases
The time to act is now.
So get it on balance!

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

Some relevant questions

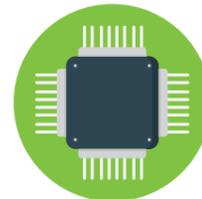


Lease exemptions defined in the leasing standard



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 option. Off-balance sheet accounting can be applied on short-term leases.



Lease of low-value assets

Low-value assets (e.g. printers, telephones, computers) may be maintained off-balance sheet.

Impact on income statement and balance sheet

	EBITDA	EBIT	NPBT	Expense Pattern	Assets	Liabilities
Change from IAS17 - Lease						
Operating Leases	↑	↑	↔	Front loaded	↑	↑
Finance Leases	↔	↔	↔	↔	↔	↔
Discretionary choices - change from core IFRS 16 requirements						
Short-Term Leases	↓	↓		Smoother	↓	↓
Low-Value Leases	↓	↓		Smoother	↓	↓
Service separation exemption	↑	↑		Front loaded	↑	↑

EBITDA Earnings Before Interest, Tax, Depreciation and Amortization
 EBIT Earnings Before Interest and Tax
 NPBT Net Profit Before Tax
 ↑ means, for example, that EBITDA will generally be higher when IFRS 16 is applied

Source: Deloitte - Thinking allowed: The new lease accounting

How we can help



Impact assessment

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



Contract review

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



Systems & processes

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



Change in strategy

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



Communication

We support you in communicating the impact of the new leasing standard to external parties and within your organization to different stakeholders.

Which industries are typically impacted



Retail



Transport



Real Estate



Telecom



Energy

Key phases to a successful implementation



Phase 1: Assessment

Scoping

- Lease definition
- Desired approach
- Define steering model

Analysis

- IFRS 16 impact
- Assess contracts
- Tax impact



Phase 2: Development

Preparation

- Lease guidelines
- To-be architecture
- Process flows

Development

- Accounting rules
- Develop interfaces
- Develop reports



Phase 3: Implementation & Sustainability

Implementation

- Processes
- Test integration & user acceptance
- Develop training and communication solutions

2016
2017
2018
1/1/2019