



Buenos Aires, Argentina, 15 October 2025

International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD, UK

RE: Request for Information: *Post-implementation Review - IFRS 16 Leases*

Dear Members of the International Accounting Standards Board (IASB):

The Group of Latin American Accounting Standard Setters (GLASS)¹ welcomes the opportunity to comment on the **Request for Information: Post-implementation Review - IFRS 16 Leases** (the RFI).

This response summarizes the points of view of the members of the different countries of GLASS, in accordance with the following due process.

Due Process

The discussions regarding the RFI were held within a specified Technical Working Group (TWG) created in July 2025. All country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g., surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

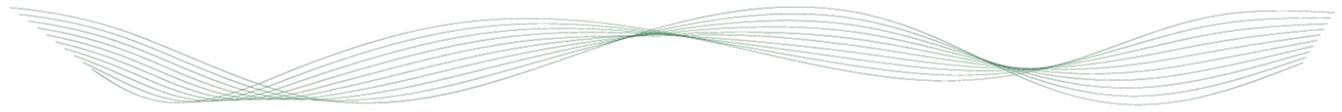
The TWG discussed the different points of view on the RFI included in the summary through email exchanges and virtual meetings of members. Based on these exchanges of views, the TWG developed a final document based on the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

Overall comments

GLASS agrees that, in general terms, IFRS 16 fulfills its primary objective of faithfully representing transactions arising from lease contracts by establishing a more robust framework for their measurement, presentation and disclosure, which has improved the transparency, consistency and comparability of financial information.

Notwithstanding the foregoing, the responses to the RFI include comments primarily regarding the costs of remeasurement of liabilities or determination of a modified discount rate, which we consider useful for greater clarity for preparers and users of the information, identifying those comments that are specific to unstable economies.

¹ The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to provide technical contributions in reference to all Exposure Drafts, Requests for Information and Discussion Papers published by the IFRS Foundation Boards and Tentative Agenda Decisions of the IFRS Interpretations Committee. GLASS therefore intends to have a single regional voice before the IFRS Foundation Boards. GLASS is constituted by: Argentina (Chair), Bolivia, Brazil (Board), Chile, Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Vice Chair).



Specific comments

Attached you will find our responses to the specific questions included in the RFI.

Contact

If you have any questions about our comments, please contact glenif@glenif.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Hernán P. Casinelli".

Hernán P. Casinelli

Chair of the Group of Latin American Accounting Standard Setters (GLASS)



GLASS comment letter on the Request for Information: Post-implementation Review - IFRS 16 Leases

Question 1—Overall assessment of IFRS 16

- a) In your view, is IFRS 16 meeting its objective and are its core principles clear? If not, please explain why not.

GLASS response

GLASS believes that IFRS 16 meets its objective and that its fundamental principles are clear.

Question 1—Overall assessment of IFRS 16

- b) In your view, are the overall improvements to the quality and comparability of financial information about leases largely as the IASB expected? If your view is that the overall improvements are significantly lower than expected, please explain why.

GLASS response

GLASS generally believes that the overall improvements in the quality and comparability of financial reporting on leases are largely as expected by the IASB. However, it notes that comparability may be affected by the different judgments that entities must apply under the standard—particularly the risk that different discount rates may be used in similar situations—as well as by the limitations of reliably estimating present values in unstable economies characterized by high inflation and exchange rate volatility.

Question 1—Overall assessment of IFRS 16

- c) In your view, are the overall ongoing costs of applying the requirements and auditing and enforcing their application largely as the IASB expected? If your view is that the overall ongoing costs are significantly higher than expected, please explain why, how you would propose the IASB reduce these costs and how your proposals would affect the benefits of IFRS 16.

GLASS response

GLASS believes that costs have been higher than expected. Above all, the high costs arise from tasks or situations such as the following:

- Determining the discount rate;
- The obligation to recognize lease modifications; for example, the requirement to reassess the discount rate each time a contract modification occurs, or the need to recognize adjustments to a right-of-use asset each time a contract is remeasured;
- Training of staff in the areas involved;
- The need to implement systems for tracking leases, the impossibility of automating contract analysis and review processes due to the diversity of existing modalities and characteristics, or the implementation of manual control routines.

In question 4 we detail our proposals on this topic.

Question 2—Usefulness of information resulting from lessees' application of judgement

- a) Do you agree that the usefulness of financial information resulting from lessees' application of judgement is largely as the IASB expected? If your view is that lessees'



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application of judgement has a significant negative effect on the usefulness of financial information, please explain why.

- b) Do you agree that the requirements in IFRS 16 provide a clear and sufficient basis for entities to make appropriate judgements and that the requirements can be applied consistently? If not, please explain why not.
- c) If your view is that the IASB should improve the usefulness of financial information resulting from lessees' application of judgement, please explain:
 - i. what amendments you propose the IASB make to the requirements (and how the benefits of the solution would outweigh the costs); or
 - ii. what additional information about lessees' application of judgement you propose the IASB require entities to disclose (and how the benefits would outweigh the costs).

GLASS response

GLASS believes that, overall, the requirements of IFRS 16 provide a clear and sufficient basis for entities to make appropriate judgments and that the requirements can be applied consistently. However, it believes the main challenges in applying lessee judgment center on determining a reliable incremental borrowing rate and realistic timing, which can limit the usefulness of the information. This challenge could be addressed as explained below.

The determination of the incremental borrowing rate is a critical assumption in the measurement of lease liabilities under IFRS 16. Although the Standard requires entities to apply the rate they would pay to borrow the funds needed to obtain an asset of similar value, in practice very different methodologies are often used and, in some cases, abuses such as the use of very high discount rates are noted.

In this regard, the following is suggested:

- Allow the use of a risk-free rate as a practical solution when determining the incremental borrowing rate would entail an undue cost or effort; and
- Require disclosures about the discount rate used, the criteria used by the entity to determine it, and, where applicable, whether the option has been used when identifying the existence of an undue cost or effort.

Question 3—Usefulness of information about lessees' lease-related cash flows

Do you agree that the improvements to the quality and comparability of financial information about lease-related cash flows that lessees present and disclose are largely as the IASB expected? If your view is that the improvements are significantly lower than expected, please explain why.

GLASS response

GLASS agrees.

Question 4—Ongoing costs for lessees of applying the measurement requirements

- a) Do you agree that the ongoing costs of applying the measurement requirements in IFRS 16 are largely as the IASB expected? If your view is that the ongoing costs are significantly higher than expected, please explain why, considering how any entity-specific facts and circumstances (such as IT solutions) add to these costs.



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- b) If your view is that the ongoing costs are significantly higher than expected, please explain how you propose the IASB reduce these costs without a significant negative effect on the usefulness of financial information about leases.

GLASS response

GLASS considers that the ongoing costs of applying the measurement requirements of IFRS 16 are higher than the IASB expected.

Entities that have invested in specific software to comply with IFRS 16 requirements have commented that the greatest burden falls on recurring contractual data capture processes and the integration of external sources of inflation or rates. In organizations with large portfolios and index-linked leases, costs are higher than expected when automated systems are lacking or frequent manual adjustments are required. Failure to update lease data often creates distortions, and this is exacerbated by requirements for rate or term determination in the event of lease modifications.

To this end, the following proposals are made:

1. Modifications and re-evaluations of leases

IFRS 16 requires lessees to recalculate the lease liability using a revised discount rate at the effective date of a modification or upon a reassessment that changes the term or valuation of a purchase option. The cost and complexity of complying with this requirement often results in more costs for preparers than benefits for users.

In this regard, we recommend that the IASB explore the feasibility of incorporating a threshold-based approach in IFRS 16, using the guidance established in IFRS 9 for replacements and modifications of financial liabilities as a benchmark for practical application. It should be noted that IFRS 9 establishes a 10% threshold for assessing whether a modification or replacement of financial instruments is substantial enough to justify derecognition and the recognition of a new debt. Under that standard, if the net present value of the modified cash flows (discounted at the original effective interest rate) differs by less than 10% from the original liability, the modification is accounted for as an adjustment to the existing instrument, discounting the modified cash flows at an unchanged rate.

Based on these criteria, we believe it could be useful to introduce a quantitative or qualitative threshold below which a reassessment of the discount rate would not be necessary. This would align with the materiality principle of IAS 8 and provide preparers with relief for low-impact modifications while maintaining the integrity and consistency of the lease liability measurement.

2. Determination of the discount rates to be applied to lease payments

Establishing the lessee's incremental borrowing rate faces significant difficulties in unstable economies. In such economies, financial conditions are volatile, credit markets are shallow, and reference rates are short-lived, variable and often affected by regulations. Therefore, to determine the incremental borrowing rate, entities must use complex mathematical models, which require the involvement of specialized financial departments or generate additional costs for accessing external databases or validating assumptions with external financial advisors. These estimates must be repeated frequently throughout the year to account for new leases, contract modifications, or re-assessments. This is a significant ongoing cost that likely does not exist in stable economies.



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It is proposed that a practical solution be incorporated that would allow, under certain conditions, the use of a risk-free rate when determining the incremental borrowing rate would entail an undue cost or effort. This should be accompanied by clear disclosure in the financial statements, explaining the methodology used, the reasons justifying its adoption, and an estimate of the impact of using the incremental borrowing rate if it were material. This measure would reduce the operational burden on preparers without significantly eroding the quality of information for users.

3. Effects of remeasurements of right-of-use assets due to indexed contracts

IFRS 16 requires an entity to remeasure the lease liability when the contract is adjusted by an index or rate, and the consideration is considered an adjustment to the right-of-use asset. In economies with high inflation, it is common practice for lease instalments to be restated, even on a monthly basis. Applying IFRS 16 in these contexts entails significant challenges, and it is not anticipated that this will have a material impact on users' decisions (for example, a company that is a lessee in a five-year contract with monthly restating will, by the end of the contract, need to use more than 60 adjustments that are recognized in different accounts, which must be managed separately in order to calculate depreciation appropriately and to apply IAS 29, to manage a single right-of-use asset). It is suggested that, in these contexts, the effects of remeasurement of the liability be considered in the same way as for foreign currency contracts, with the consideration being recognized directly in profit or loss.

Question 5—Potential improvements to future transition requirements

Based on your experience with the transition to IFRS 16, would you recommend the IASB does anything differently when developing transition requirements in future standard-setting projects? If so, please explain how your idea would ensure:

- a) users have enough information to allow them to understand the effect of any new requirements on entities' financial performance, financial position and cash flows; and
- b) preparers can appropriately reduce their transition costs when implementing new requirements for the first time.

GLASS response

GLASS agrees with the transition requirements implemented so far; however, for greater clarity in the transition options, it is suggested not to include too many transitional options that could lead to a lack of comparability. Furthermore, these options should be complemented by appropriate disclosure requirements that allow users to understand the impact of the transition when comparative information is not applied retrospectively. Where possible, we recommend including predefined practical solutions for emerging economies and those experiencing hyperinflation.

Question 6.1—Applying IFRS 16 with IFRS 9 to rent concessions

- a) How often have you observed the type of rent concession described in Spotlight 6.1?
- b) Have you observed diversity in how lessees account for rent concessions that has had, or that you expect to have, a material effect on the amounts reported, thereby reducing the usefulness of information?



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- c) If your view is that the IASB should act to improve the clarity of the requirements, please describe your proposed solution and explain how the benefits of the solution would outweigh the costs.

GLASS response

GLASS has infrequently observed rent reductions in lease contracts beyond those presented during COVID 19; however, in the cases that have been observed, some stakeholders comment on the existence of doubts about recognizing the forgiveness as a reduction of the lease liability or as a contract modification.

In the future, it is considered that there could be forgiveness, for example, due to a catastrophic event, so it is suggested that clarity be provided on the application of the standard in these cases, either in the standard itself or through guidance.

Question 6.2—Applying IFRS 16 with IFRS 15 when assessing whether the transfer of an asset in a sale and leaseback transaction is a sale

- a) How often have you observed difficulties in assessing whether the transfer of an asset in a sale and leaseback transaction is a sale?
- b) Have you observed diversity in seller–lessees’ assessments of the transfer of control that has had, or that you expect to have, a material effect on the amounts reported, thereby reducing the usefulness of information?
- c) If your view is that the IASB should act to help seller–lessees determine whether the transfer of an asset is a sale, please describe your proposed solution and explain how the benefits of the solution would outweigh the costs.

GLASS response

GLASS believes that these types of transactions do not generally occur in the region; however, when they have occurred, difficulties have been observed in industries with strategic assets or complex contracts, such as transmission towers (Telecommunications) and logistics infrastructure (Oil Companies).

The difficulties arise mainly from:

- Assessment of control under IFRS 15: Does the buyer actually obtain control of the asset?
- Presence of implicit or explicit buyback clauses.
- Lease terms that coincide with the useful life of the asset, which may indicate that there was no actual sale.

It is recommended that the IASB expand guidance and illustrative examples on when control is transferred under IFRS 15 in these scenarios. This would allow for consistency and greater informational utility.

Question 6.3—Applying IFRS 16 with IFRS 15 to gain or loss recognition in a sale and leaseback transaction

- a) Do you agree that restricting the amount of gain (or loss) an entity recognizes in a sale and leaseback transaction results in useful information?



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- b) What new evidence or arguments have you identified since the IASB issued IFRS 16 that would indicate that the costs of applying the partial gain or loss recognition requirements, and the usefulness of the resulting information, differ significantly from those expected?
- c) If your view is that the IASB should improve the cost–benefit balance of applying the partial gain or loss recognition requirements, please describe your proposed solution.

GLASS response

GLASS agrees that restricting the amount of gain (or loss) that an entity recognizes on a sale and leaseback transaction provides useful information.

Question 6.4—Other matters relevant to the assessment of the effects of IFRS 16

Are there any further matters the IASB should examine as part of the post-implementation review of IFRS 16? If so, please explain why, considering the objective of a post-implementation review.

GLASS response

GLASS proposes the review of the following topics:

1. Cash incentives granted after the inception of the lease

The Standard provides clear guidance for lease incentives agreed upon at or before inception, requiring them to be deducted from the measurement of the right-of-use asset and the lease liability. However, IFRS 16 is silent on the accounting treatment of incentives granted subsequently, i.e., during the lease term. This gap has led to diversity in practice, with some entities treating incentives as:

- A lease modification, requiring a reassessment of the lease liability and the right-of-use asset;
- An immediate credit to the income statement, on the basis that it is not linked to the original lease measurement; or
- A reduction in allocated lease expenses over the remaining lease term, by analogy with the incentives provided at inception.

In our opinion, cash incentives granted after commencement are economically consistent with those agreed upon at inception, as they reduce the lessee's total lease cost. Consequently, they should be accounted for as a reduction in lease payments, allocated over the remaining lease term.

2. Treatment of interest clauses introduced during lease renegotiations

In practice, it is common for lessees who are unable to pay their lease installments on the agreed due dates to renegotiate the terms with the lessor. As part of these renegotiation processes, lessors often introduce a new contractual clause requiring the lessee to pay interest or penalties on the overdue installments. While this practice is widespread, IFRS 16 does not establish whether the introduction of such clauses should be considered a lease modification.

From a technical perspective, the introduction of an interest clause represents a new contractual term that did not exist at the inception of the lease. However, there is no explicit guidance in IFRS 16 on whether an event of this nature should be:



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- Treated as a lease modification, requiring a reassessment of the lease liability using a revised discount rate;
- Accounted for as a separate financial liability and expense, given its nature as an agreement to pay interest or penalties outside the original lease terms; or
- Recognized as a variable lease payment, as it arises only when payments are due.

We have observed that these situations are not isolated, particularly in industries under financial stress, where late lease payments and renegotiations are frequent (e.g., airlines, retail and hospitality).

We recommend that the IASB address this issue as part of the Post-Implementation Review of IFRS 16, clarifying its recognition, or, if applicable, as a matter for review by the International Financial Reporting Interpretations Committee.

3. Leases in kind

There are entities that enter into leasing contracts with payment in kind, for example, those in the agricultural sector, and IFRS 16 does not establish how to determine the liability in these cases.

The questions are:

- Are payments recognized at the market value of the goods delivered?
- Are payments recognized as variable?

We suggest including this as a topic for review and clarification within IFRS 16.

4. Other topics:

- The need for specific guidance for leases in foreign currencies, including for economies with exchange controls.
- Enhanced rules or limits for the use of the short-term lease option referred to in paragraph 5, given that some companies have contracts with less than one year to exercise the option; however, in practice, they continue to renew them for the long term. It is suggested that a requirement be added to avoid this situation and address the economic substance of the transaction.
- Some participants point out that they are experiencing difficulties in implementing IFRS 16 because:
 - The standard may be complex and difficult to explain or analyze by different users for the following reasons:
 - A mismatch between the lessor's and lessee's information;
 - Rent expense is no longer recorded in the income statement, and instead, the depreciation of the right-of-use asset and the interest on the lease liability are presented; or
 - The recognition of revenue from the termination of a lease.
 - Some users of the information mention that they often adjust the information presented in the financial statements; for example, to estimate certain indicators such as EBITDA (an indicator that does not include interest or depreciation).
 - The fundamental principles are clear in theory, but in practice, significant difficulties arise in volatile economic environments such as those found in certain Latin American countries. In such contexts, determining the discount rate is highly subjective and complex and can be affected by subjective judgments.



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5. Other reported drawbacks

It should be noted that while the comments included in this document were the consensus of the majority of representatives from participating countries in the TWG, one participating country does not agree in general with the requirements of IFRS 16 and will likely submit its individual comments independently.

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