

## PBE IPSAS 13 Leases – Differences to NZ IFRS (PBE)

	NZ IAS 17 (PBE)	PBE IPSAS 13	Difference
1	NZ IFRS 17 (PBE) does not discuss situations where a lease may be one element in a broader set of arrangements with the private sector.	PBE IPSAS 13 discusses a broader set of arrangements with entities in the private sector to construct, own, operate and/or transfer assets, such as infrastructural assets. These arrangements will need to be properly analysed to ensure that a service concession arrangements (as defined in PBE IPSAS 32) or leases (as defined by PBE IPSAS 13) are properly identified and accounted for.  PBE IPSAS 13.25 to 13.27	Additional guidance has been added to PBE IPSAS 13 to assist in identifying the difference between leases and service concession arrangements.
2	NZ IAS 17 (PBE) requires that assets and liabilities recognised at the commencement of the lease term, shall be valued at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments,  The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. If this is not practicable to determine the lessee's incremental borrowing rate shall be used.  The <i>lessee's incremental borrowing rate of interest</i> is the rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.  NZ IAS 17.4 and 17.20	The requirements of PBE IPSAS 13 with respect to the recognition of assets and liabilities upon inception of a lease are almost the same as those in NZ IAS 17 PBE. However, in addition, the PBE standard clarifies that where an entity has borrowings that are guaranteed by another entity (e.g. the government), the determination of the lessee's incremental borrowing rate of interest should take into account any government guarantee and any related fees, as these will normally lead to the use of a lower incremental borrowing rate of interest.  PBE IPSAS 13.11	Where an entity is determining its incremental borrowing rate to calculate the fair value of assets and liabilities under a lease, the impact of guarantees from any other entity (e.g. the Government) must be reflected in that incremental borrowing rate.

	NZ IAS 17 (PBE)	PBE IPSAS 13	Difference
3	NZ IAS17 (PBE) does not cover the circumstances under which a public sector entity might enter into a finance lease as a lessor.	PBE IPSAS 13 contains a discussion of the circumstances under which a public sector entity might enter into a finance lease as a lessor.  PBE IPSAS 13.45-47	Additional discussion only. We would not expect any change to current practice for accounting for lessors under NZ IFRS (PBE).
4	The following interpretations relating to NZ IAS 17 (PBE) were separate to the standard.  NZ SIC 15 Operating Leases - Incentives  NZ SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease  NZ IFRIC 4. Determining whether an Arrangement contains a Lease	The following application guidance is integral to PBE IPSAS 13 and included as appendices.  Appendix A: Operating Leases - Incentives  Appendix B: Evaluating the Substance of Transactions Involving the Legal Form of a Lease  Appendix C: Determining whether an Arrangement contains a Lease	All three interpretations are now integral to the standard (included as appendices) but there is no change to the guidance itself.