

NZ SIC-15 (PBE)



NZ SIC Interpretation 15 (PBE)

Operating Leases—Incentives (NZ SIC-15 (PBE))

Issued November 2012

This Interpretation was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Interpretation is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

As at 1 December 2012, the requirements in this Interpretation are identical to the requirements in NZ SIC-15 *Operating Leases—Incentives* as applied by public benefit entities. Versions of NZ SIC-15 applied by public benefit entities prior to adoption of this Interpretation are available in the Archived Standards page of the External Reporting Board (XRB) website at xrb.govt.nz

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NZ SIC Interpretation 15 (PBE) *Operating Leases—Incentives* (NZ SIC-15 (PBE)) is set out in paragraphs 3–6.

NZ SIC-15 (PBE) should be read in the context of the Basis for Conclusions on SIC-15 and the IASB's appendix illustrating the application of SIC-15.

Differential Reporting

Qualifying entities must comply with all the provisions in NZ SIC-15 (PBE).

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HISTORY OF AMENDMENTS

Table of Pronouncements – NZ SIC-15 (PBE) *Operating Leases—Incentives*

This table lists the pronouncement establishing NZ SIC-15 (PBE).

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ SIC-15 (PBE) <i>Operating Leases—Incentives</i>	Nov 2012	Early application permitted	1 Dec 2012

The following tables list the pronouncements establishing and substantially amending NZ SIC-15 as applied by PBEs prior to the issue of this Interpretation as NZ SIC-15 (PBE).

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ SIC-15 <i>Operating Leases—Incentives</i>	Nov 2004	1 Jan 2005	1 Jan 2007

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Operating Leases—Incentives

(NZ SIC-15 (PBE))

References:

- NZ IAS 1 (PBE) *Presentation of Financial Statements*
- NZ IAS 8 (PBE) *Accounting Policies, Changes in Accounting Estimates and Errors*
- NZ IAS 17 (PBE) *Leases*

NZ SIC-15 (PBE) is identical to NZ SIC-15 as applied by public benefit entities prior to the issuance of NZ SIC-15 (PBE). That is, there are no changes to the recognition, measurement, presentation and disclosure requirements of NZ SIC-15 on adoption of this Interpretation.

Issue

- 1 In negotiating a new or renewed operating lease, the lessor may provide incentives for the lessee to enter into the agreement. Examples of such incentives are an up-front cash payment to the lessee or the reimbursement or assumption by the lessor of costs of the lessee (such as relocation costs, leasehold improvements and costs associated with a pre-existing lease commitment of the lessee). Alternatively, initial periods of the lease term may be agreed to be rent-free or at a reduced rent.
- 2 The issue is how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

Consensus

- 3 All incentives for the agreement of a new or renewed operating lease shall be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.
- 4 The lessor shall recognise the aggregate cost of incentives as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

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- 5 The lessee shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.
- 6 Costs incurred by the lessee, including costs in connection with a pre-existing lease (for example costs for termination, relocation or leasehold improvements), shall be accounted for by the lessee in accordance with the New Zealand International Accounting Standards applicable to those costs, including costs which are effectively reimbursed through an incentive arrangement.

Basis for Conclusions on SIC-15

7–11 [Paragraphs 7–11 do not form part of NZ SIC-15 (PBE).]

Effective Date

<p>A public benefit entity shall apply this Interpretation for annual periods beginning on or after 1 December 2012. Early application is permitted. This Interpretation replaces NZ SIC-15 as applied by public benefit entities prior to the issuance of this Interpretation. There are no changes to the requirements of NZ SIC-15 as applied by public benefit entities.</p>
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Appendix to SIC-15

[This appendix does not form part of NZ SIC-15 (PBE).]