

July 26, 2012

IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir or Madame,

**Tentative agenda decision on IAS 16 Property, Plant and Equipment,
IAS 38 Intangible Assets and IAS 17 Leases—Purchase of right to use land**

We welcome the opportunity to express our comments on the IFRS Interpretations Committee's tentative agenda decision regarding *IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 17 Leases—Purchase of right to use land*. This tentative agenda decision was published in the May 2012 IFRIC Update.

1. We generally agree with the Committee's decision not to add this item to its agenda. However we believe the Committee should not include any explanations in the wording of the agenda decision which might be misinterpreted as the Committee's view, reasoning or analysis regarding this issue. Because the Committee noted that the issue is specific to a particular jurisdiction and finally rejected, we do not think further explanations are necessary in the agenda decision.
2. We observe that the Committee decided to reject the issue, taking into consideration the current agenda criteria described in paragraph 25 of *Due Process Handbook for the IFRS Interpretations Committee*. In particular, we believe this issue does not meet the criteria of paragraph 25(a), which states, "The issue is widespread and has practical relevance". As noted above, as the issue is specific to a particular jurisdiction, it is too narrow to address in the Committee and therefore, does not meet this criteria. On this basis alone we believe that this issue should not be added to the agenda. In addition however, we also note that lease of land is not excluded from the scope of the current Lease Project being undertaken by the Board. Therefore, we think that the issue may also not to meet the criteria of paragraph 25(f) of *Due Process Handbook for the IFRS Interpretations Committee*, which states, "If the issue relates to a current or planned IASB project, there is a pressing need to provide guidance sooner than would be expected from the IASB's activities".
3. As a result, we recommend amending the current tentative agenda decision by removing the

wording that seems to be the Committee's view in order to avoid misleading interpretations by the stakeholders and unintended consequences of the Committee. Therefore we suggest amending the tentative agenda decision as shown in the appendix below.

Appendix

IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 17 Leases—Purchase of right to use land

In January 2012, the Committee received a request to clarify whether the purchase of a right to use land should be accounted for as:

- a purchase of property, plant and equipment;
- a purchase of an intangible asset; or
- a lease of land.

In the fact pattern submitted, the laws and regulations in the jurisdiction concerned do not permit entities to own freehold title to land. Instead entities can purchase the right to exploit or build on land. According to the submitter, there is diversity in practice on how to account for a land right in the jurisdiction.

~~The Committee identified characteristics of a lease in the fact pattern considered, based on the definition of a lease as defined in IAS 17.~~

~~The Committee noted that the useful life for depreciation purposes might include the renewal periods and that judgement will need to be applied in making this assessment. The Committee further noted that a lease could be indefinite with extensions or renewals and, therefore, the existence of an indefinite period does not prevent the right to use from qualifying as a lease in accordance with IAS 17.~~

~~As a result of the discussion, The the Committee, notwithstanding the preceding observations, noted that the particular fact pattern is specific to a jurisdiction.~~

~~Consequently, the Committee [decided] not to take this issue onto its agenda.~~

We hope our comments will contribute to the forthcoming deliberations in the IFRS Interpretations Committee.

Yours sincerely,



Atsu Kato

Vice Chairman of the Accounting Standards Board of Japan