

CIRCULAR ON IAS 8 TRANSITION DISCLOSURE
IMPLEMENTATION OF IFRS 16

Background

The new standard on leases, IFRS 16, is expected to bring significant changes, including accounting by lessees applicable reporting periods starting on or after 1 January 2019.

In this regard, the Authority would like to make reference to the Circular issued on 29 October 2018, following the announcement by the European Securities and Markets Authority (ESMA), of the Common Enforcement Priorities for the 2018 financial statements. Specifically, in the 2018 financial statements, issuers are expected to disclose the expected impact of implementation of *IFRS 16 Leases*, as required in terms of IAS 8, transition disclosures.

Analysis

Public studies on the implementation of IFRS 16 highlight implementation issues from the accounting perspective, including the following:

1. Determination of lease term;
2. Determination of the discount rate;
3. Assessing which contracts are in scope of IFRS 16;
4. Cancellable leases and implications of short uncancellable period on the calculation of the lease term;

Contacts

Should you have any queries on the above, please do not hesitate to contact Stephanie Buhagiar Camilleri, Senior Analyst, Securities and Markets Supervision (scamilleri@mfsa.com.mt) for any further clarifications.

Communications Unit