

Clause 1: Changes to accounting standards affecting leases

Summary

1. This clause amends Schedule 14 to the Finance Act 2019 to clarify that the spreading rules in Schedule 14 apply to all lessees adopting International Financial Reporting Standard 16 (IFRS 16) for any period of account. The amendment is treated as always having had effect.

Details of the clause

2. Subsection (1) indicates that Schedule 14 to the Finance Act 2019 is amended as detailed below.
3. Subsection (2) amends subparagraph 13(1) to clarify that paragraph 13 applies when a lessee first recognises a right-of-use asset in a period of account beginning on or after 1 January 2019. The amendment clarifies in particular that the paragraph applies in circumstances where the lessee first recognises the right-of-use asset in any period of account beginning on or after 1 January 2019, even if that period is not the first period of account beginning on or after 1 January 2019.
4. Subsection (3) amends paragraph 14 to clarify that where a lessee has adopted IFRS 16 for a period of account beginning before 1 January 2019, the transitional provisions in paragraph 13 have effect as if IFRS 16 were adopted in the first period of account beginning on or after 1 January 2019.
5. Subsection (4) provides that the amendments to paragraphs 13 and 14 are treated as always having had effect.

Background note

6. Schedule 14 to the Finance Act 2019 made changes to income tax and corporation tax rules as a result of the introduction of IFRS 16. Paragraph 13 sets out the transitional adjustments required where a right-of-use asset is first recognised in a period of account beginning on or after 1 January 2019. Paragraph 14 provides for circumstances where a lessee has adopted IFRS 16 for a period of account beginning before 1 January 2019.
7. This amendment has been introduced to clarify paragraphs 13 and 14 of Schedule 14 and in particular to put it beyond doubt that the spreading rules in those paragraphs apply to all lessees adopting IFRS 16 for any period of account.
8. If you have any questions about this change, or comments on the legislation, please contact Alex Sherwood on 03000 551801 (email: alex.sherwood@hmrc.gov.uk).