

SCHEDULES

SCHEDULE 14

LEASES: CHANGES TO ACCOUNTING STANDARDS ETC

PART 3

CHANGES TO ACCOUNTING STANDARDS AND TAX ADJUSTMENTS

Cases where asset first recognised for period of account beginning on or after 1 January 2019

13 (1) This paragraph applies if the right-of-use asset falls (or would fall) to be first recognised for accounting purposes in the accounts of the lessee for the first period of account beginning on or after 1 January 2019 (“the first period of account”).

(2) Any adjustment income or adjustment expense, or any receipt or expense, treated by any of the change of basis provisions as arising in consequence of a change of accounting policy that results in the right-of-use asset being first recognised for accounting purposes is to be treated as arising over a period (“the spreading period”) determined in accordance with the following steps—

Step 1

Find for each lease the amount by which the credits exceed the debits (or vice-versa). For this purpose, the credits and the debits are the amounts which, under generally accepted accounting practice—

- (a) are taken to equity as adjustments in the accounts of the lessee for the first period of account, and
- (b) are in consequence of the change of accounting policy that results in the right-of-use asset being first recognised for accounting purposes in those accounts.

Step 2

Calculate for each lease the percentage (“the relevant percentage”) that—

- (a) the amount found under Step 1 for the lease bears to
- (b) the total of all amounts found under Step 1 (treating such amounts as positive amounts).

Step 3

Find for each lease the period which results from applying the relevant percentage to the term of the lease that remains unexpired as at the date on which the first period of account begins. For this purpose, the term of a lease is to be determined in accordance with generally accepted accounting practice as it applies for the first period of account.

Step 4

Calculate the sum of all periods found under Step 3.

Step 5

Status: This is the original version (as it was originally enacted).

The spreading period is the period equal to the sum calculated under Step 4 beginning with the day on which the first period of account begins.

- (3) An amount to be treated as arising in any period falling wholly or partly in the spreading period is to be determined in proportion to the number of days of the period falling within the spreading period.
- (4) This paragraph is subject to paragraphs 15 and 16 (transfers of leases and cessation of activities).