Tentative Agenda Decision and comment letters: Assessment of Specified Main Business Activities for a Manufacturer-Lessor (IFRS 18)

The IFRS Interpretations Committee (Committee) discussed the following matter and tentatively decided not to add a standard-setting project to the work plan. The Committee will reconsider this tentative decision, including the reasons for not adding a standard-setting project, at a future meeting. The Committee invites comments on the tentative agenda decision. All comments will be on the public record and posted on our website unless a respondent requests confidentiality and we grant that request. We do not normally grant such requests unless they are supported by good reason, for example, commercial confidence.

Tentative Agenda Decision

Open for comment until 9 September 2026

The Committee discussed a request about how an entity that is a manufacturer-lessor assesses whether, applying IFRS 18, the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers.

Fact pattern

The request describes a fact pattern in which an entity manufactures vehicles and either sells or leases them to customers. The entity:

a. manages vehicle sales, finance leases and operating leases together in one line of business. The entity's segments are based on geographical regions and not on product lines.

b. classifies its leases, which do not differ significantly in nature, as either finance or operating leases applying IFRS 16 *Leases.*
c. enters into a refinancing arrangement with a bank for each lease contract, regardless of whether the lease contract is a finance or an operating lease. The refinancing arrangement bridges the difference between the cash flows the entity receives and those it would have received in a sale. The refinancing arrangements generate interest expenses.
d. uses, for both internal and external reporting purposes, one subtotal for its aggregated lease activity that is similar to gross profit as an important indicator of operating performance. This gross profit-like subtotal includes income and expenses from finance and operating leases as well as interest expenses on the refinancing arrangements.

Question

The Committee considered whether the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers. The assessment affects, amongst other things, the classification, in the statement of profit or loss, of interest expenses on the refinancing arrangements—particularly those related to lease contracts classified as operating leases.

Applicable requirements

To classify income and expenses in the operating, investing and financing categories, paragraph 49 of IFRS 18 requires an entity to assess whether it has a specified main business activity—that is a main business activity of investing in particular types of assets (investing in assets) or providing financing to customers.

Paragraphs B30–B41 of IFRS 18 include application guidance an entity applies when determining whether it has a specified main business activity. In particular:

a. paragraph B30 states '…[a]n entity may have more than one main business activity… To classify income and expenses into the categories of operating, investing and financing as required by this Standard, an entity need only determine whether either of, or both, investing in assets and providing financing to customers are main business activities.
b. paragraph B33 states that whether investing in assets or providing financing to customers is a main business activity of the entity is a matter of fact and not merely an assertion. It requires an entity to use its judgement to assess whether investing in assets or providing financing to customers is a main business activity and to base that assessment on evidence.
c. paragraphs B34–B36 discuss factors that might provide evidence of an entity's main business activity. These factors include, for example, whether the entity uses a

particular subtotal as an important indicator of operating performance.

Applying the requirements in IFRS 18

An entity applies the requirements in IFRS 18 (including paragraph 49 and the application guidance in paragraphs B30–B41) in assessing whether an activity is a specified main business activity. In making that assessment, an entity uses its judgement and considers all relevant facts and circumstances.

In considering the fact pattern, the Committee observed that:

a. applying paragraph B34 of IFRS 18, it is likely that the entity's aggregated lease activity, comprising its finance lease and operating lease activities, is a main business activity of providing financing to customers. This assessment is evidenced by the entity's use of one subtotal for its aggregated lease activity (as described in the fact pattern) that is similar to gross profit as an important indicator of operating performance.
b. the classification of some of the entity's leases as operating leases does not preclude the entity's aggregated lease activity from being of a type that provides financing to customers.
c. paragraph B32 of IFRS 18 does not include an example of an entity that provides financing to customers in operating leases as a type of entity that might provide financing to customers as a main business activity. However, the absence of an entity that provides financing to customers in operating leases from the examples in paragraph B32 is not determinative; those examples are not an exhaustive list.

Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the entity described in the fact pattern to assess whether its aggregated lease activity is a main business activity of providing financing to customers. Consequently, the Committee [decided] that a standard-setting project is not needed to address the request.

The deadline for commenting on the tentative agenda decision is **9 September 2026**. The Committee will consider all comments received in writing by that date; agenda papers analysing comments received will include analysis only of comments received by that date.

Note: Please ensure you upload your comment letter as an editable PDF (at least one file must be uploaded). We do not accept Word documents, which will fail to upload. Please also ensure there are no periods or other reserved characters in the file name because these will cause an error.

All comment letters will be on the public record and posted on our website unless the respondent requests confidentiality. Such requests will not normally be granted without a good reason—for example, commercial confidence. If you would like to request confidentiality, please contact us before submitting your letter.

Login/register to submit a comment letter

Share this page

About us
Around the world
Contact us
Funding
IFRS Accounting Standards
IFRS Sustainability Standards
IFRS translations
Jobs
News and events
Products and services
Projects
Shop
Speaking requests
Supporting implementation

Academics
Accounting profession
Investors
Media
National standard-setters
Preparers
Regulators
Students

Stay in touch

Register for news alerts