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**International  
Accounting Standards  
Board**

*This document is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. It does not represent an official position of the IFRIC. IFRIC positions are set out in Interpretations.*

*Note: These notes are based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because these notes are less detailed, some paragraph numbers are not used.*

### **INFORMATION FOR OBSERVERS**

**IFRIC meeting: July 2006, London**

**Project: Review of published tentative agenda decision: IAS 17 Leases – Recognition of contingent rentals (Agenda paper 7(ii))**

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#### **Background information**

1. At an IFRIC meeting held in May 2006, the IFRIC reviewed an issue relating to recognition of contingent rentals.
2. The deadline for constituents who disagree with the proposed agenda decision published in May-2006 IFRIC Update was 26 June 2006. Three comment letters have been received, which are set out in Appendices I – III to this agenda paper. Further comments received by 5 July 2006 (if any) will be reported to the IFRIC.

#### **Tentative agenda decision published in May-2006 IFRIC Update**

##### ***IAS 17 Leases – Recognition of contingent rentals***

The IFRIC considered a request for clarification of the requirements of IAS 17 with respect to contingent rentals. In particular, the IFRIC was asked to consider whether an estimate of contingent rentals payable/receivable under an operating lease should be

included in the total lease payments/lease income to be recognised on a straight-line basis over the lease term.

The IFRIC noted that, although the standard is unclear on this issue, a consistent application is being adopted; that is, current practice is to exclude contingent rentals from the amount to be recognised on a straight-line basis over the lease term. Accordingly, the IFRIC decided not to add the issue to its agenda.