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Some reflections on the concept application of essence over form in leasing operations in the lessee and lessor before and after IFRS 16

Algunas Reflexiones sobre la Aplicación del Concepto de Esencia sobre Forma en las Operaciones de Arrendamiento en el Arrendatario y Arrendador antes y Después de la NIIF 16

Algumas reflexões sobre aplicação do conceito de essência sobre a forma em operações de *leasing* na arrendatária e arrendadora antes e após o IFRS 16

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Abstract

Purpose: The present theoretical essay aims to assess the impacts of normative changes on the topic through a comparative study of the standards, emphasizing the approach related to “substance over form”.

Methodology: The qualitative method was used to develop the study, through bibliographical and documentary research, where current scientific articles, books, accounting standards and procedures relating to the topic issued by national and international organizations were collected, which supported a comparative study on the changes made to the normative update on the accounting of leasing operations.

Results: The results presented important points for the discussion, such as the main impacts caused by IFRS 16, the requirements for formalizing the leasing contract between the parties involved and the fact that the standard radically changes the concept of substance over form in the leasing.

Contributions of the Study: It was concluded that, although IFRS 16 contributed to the quality improvement of the information presented by the lessees, in some cases the information does not represent the contract status reliably, due to the possibility of double accounting of the asset, as well as the differentiated adoption of the concept of substance over form in the lessee and lessor.

Keywords: Leasing; IFRS 16; Substance over form.

Resumen

Objetivo: Este ensayo teórico tiene como objetivo evaluar los impactos de los cambios normativos sobre el tema a través de un estudio comparativo de las normas con énfasis en el enfoque relacionado con la "esencia sobre forma".

Metodología: Para desarrollar el estudio se utilizó el método cualitativo, a través de investigación bibliográfica y documental, donde se recogieron artículos científicos actuales, libros, normas y procedimientos contables relacionados con el tema emitidos por organismos nacionales e internacionales, los cuales sustentaron un estudio comparativo sobre los cambios realizados en la actualización normativa sobre la contabilidad de las operaciones de leasing

Resultados: Los resultados obtenidos presentan puntos importantes para la discusión, como los principales impactos causados por la NIIF 16, los requisitos para formalizar el contrato de arrendamiento entre las partes y el hecho de que la norma cambia radicalmente el concepto de esencia sobre forma en el contrato del arrendamiento.

Contribuciones del Estudio: Se concluyó que, aunque la NIIF 16 contribuyó a la mejora de la calidad de la información presentada por los arrendatarios, en algunos casos la información no representa el estado del contrato de manera confiable, debido a la posibilidad de una doble contabilidad del activo, así como la adopción diferenciada del concepto de esencia sobre forma en el arrendatario y el arrendador.

Palabras clave: Arrendamiento; NIIF 16; Esencia sobre forma.

Resumo

Objetivo: O presente ensaio teórico tem como objetivo avaliar os impactos das alterações normativas antes e após a vigência do IFRS 16 com ênfase na abordagem relacionada à “essência sobre a forma”.

Metodologia: O desenvolvimento do estudo foi utilizado o método qualitativo, por meio de uma pesquisa bibliográfica e documental, onde foram levantados artigos científicos atuais, livros, as normas e procedimentos contábeis referentes ao tema emitidos por organismos nacionais e internacionais, que subsidiaram um estudo comparativo sobre as mudanças realizadas na atualização normativa sobre a contabilização das operações de arrendamento mercantil.

Resultados: Os resultados obtidos apresentam pontos importantes para a discussão, como os principais impactos causados pela IFRS 16, os requisitos para formalização do contrato de leasing entre as partes e o fato de que a norma altera radicalmente o conceito de essência sobre a forma no leasing.

Contribuições do Estudo: Concluiu-se que, apesar da IFRS 16 ter contribuído para melhoria na qualidade da informação apresentada por parte dos arrendatários, em alguns casos as informações não representam com fidedignidade a situação do contrato, por conta da possibilidade de dupla contabilização do ativo, bem como da adoção diferenciada do conceito de essência sobre a forma na arrendatária e na arrendadora.

Palavras-chave: *Leasing*; IFRS 16, Essência sobre forma.

1 Introduction

Martinez (2017) found that tax aggressiveness has already been related to several types of corporate structures in Brazil, such as: (i) Brazilian traded companies; (ii) family businesses; (iii) control by foreign capital; and (iv) controlled companies and their parent companies. However, there are no studies relating tax aggressiveness to regulatory agencies in Brazil, unlike several other international studies, both theoretical (De Simone, Sansing & Seidman, 2013) and empirical (Bozanic, Hoopes, Thornock & Williams, 2017).

International research focuses mainly on the power of tax authorities and regulators to inhibit aggressive taxation (Hoopes, Mescall & Pittman, 2012). These topics have not yet been addressed in Brazil, thus creating a gap in Brazilian literature. The choice of markets regulated by regulatory agencies was motivated by their representativeness in Brazilian economy, because they are strategic areas for the Federal Government and their importance for the country's development.

De Simone, Sansing and Seidman (2013) point to the influence of the regulator on business behavior, showing the greater the control, the less demands of benefits tax. Another study that confirms the relationship among markets regulated by regulatory agencies and tax

aggressiveness is the study by Bozanicet al. (2017), which shows an increase in the disclosure of tax statements under the influence of regulatory agencies.

This research aims to answer the following question: **Is market regulation through regulatory agencies a significant factor in influencing the level of tax aggressiveness in companies?** The aim of this study was to identify if a market regulated by regulatory agencies is a determining factor for companies to use a less aggressive tax stance.

The sample used in this study includes all the companies listed on B3. Data was collected using the Economática® database, starting in 2010 with IFRS in Brazil, and the data was statistically processed using STATA software¹³. The total sample for this study comprises 1,669 observations, of which 823 are from publicly traded companies operating in the regulated market and 846 are from publicly traded companies operating in the unregulated (free) market. Tax aggressiveness will be measured using three proxies: Current Effective Tax Rate (ETRC), Cash Effective Tax Rate (CashETR) and Book-Tax Differences (BTD).

The results of this study confirm the hypothesis that companies operating in the free market have higher tax aggressiveness, while companies in the regulated market are less tax aggressive. Given this scenario, it can be seen that market regulation acts as a factor that discourages the implementation of more aggressive tax strategies.

2 Literature review

2.1 Prevalence of essence over form

The discussion involving the prevalence of substance over form was preceded by the concept of true and fair view (TFV), introduced in the UK in 1948 by its Companies Act and determining that the financial statements of public limited companies should provide a fair and true view of the entity.

Parker and Nobes (1991) believe TFV is a philosophical concept that cannot be defined by detailed rules and is therefore closer to the approach of ethics and morality.

The United States did not share this understanding, since the financial statements are prepared according to USGAAP standards, which presumably meet the user's needs, unlike TFV which does not have a clearly defined standard and therefore there is no guarantee that it can be used without taking into account the bias of the preparer in accounting choices.

Thus, TFV, created by English legislation, was practically restricted to the United Kingdom. Countries like Germany, for example, define TFV as the normative and legalistic view, i.e. what is fair and true is what the law says, thus escaping the British understanding.

The concept of substance over form, which originated in the United States, is different from TFV concept, in that, most of the time, it is possible to identify and classify an operation (transaction) where the economic substance takes precedence in presenting a more reliable financial position, with financial leasing being the main example in which this prevalence can be observed (IAS 17).

Furthermore, other examples of essence over form can be listed in some cases, including normative ones:

a) Proposed dividends: although this is legally shareholders' equity until the shareholders' meeting approves it, it is considered a liability because the likelihood of it being rejected by the meeting is minimal;

b) Shareholders' advance for future capital increase: in essence, this is much closer to the concept of shareholders' equity than to a liability;

c) Advances to suppliers of fixed assets: classified as an asset, although legally it is still a right.

d) Lease-back transactions: the profit obtained by the lessee-seller on the sale of the asset (therefore a commercial transaction) should not be recognized on the spot, but should be deferred over the term of the contract if we consider it to be a single transaction.

e) In essence, a lease-back transaction is a working capital financing with an asset guarantee.

Even though FASB defends the supremacy of substance over form to ensure financial statements provide a complete, relevant and faithful view of the transactions and show a financial reality of the entity (and not a legal reality), in the event of any conflict among substance over form and the accounting standards established in the pronouncements, the latter prevail.

IASB treats “substance over form” as an integral part of the fundamental qualitative characteristic of faithful representation.

2.2 Classification of leasing: operating and financial (rule prior to IFRS 16)

Leasing operations, known as commercial leasing in Brazil, are classified as operational and financial, taking into account their characteristics and the fulfillment of specific criteria.

According to the conceptualization given by IFRS 16 for financial and operating leasing, the main aspect that differentiates the two modalities concerns the substantial transfer of the risks and benefits inherent to the ownership of the asset, which occurs in financial leasing and not in operating *leasing*.

According to Niyama and Silva (2013), for leasing to be considered financial, it must be non-cancellable and meet at least one of the following criteria: transfer of ownership to the lessee; contain a bargain purchase option; the contract term is greater than or equal to 75% of the asset's useful life; the present value of payments is greater than or equal to 90% of the asset's market value.

Operational *leasing*, on the other hand, is an operation that does not substantially transfer all the risks and benefits inherent in ownership of the asset, and is similar to renting.

Gelbcke et al. (2018) highlight the indicative nature of the situations that can lead to the classification of a contract as a financial lease. They state that these situations are not determinant in themselves, but serve as indications. In other words, even if a lease contract includes some of these situations, it will be classified as an operating lease if it does not transfer substantially all the risks and benefits to the lessee.

This implies the classification of leases must be done carefully, analyzing the specific details of each contract and the transfer extent of risks and benefits. The mere presence of certain characteristics is not sufficient for a conclusive classification as a finance lease; a more in-depth examination of the contract substance is required.

2.3 Main changes brought about by IFRS 16 in the recognition and measurement of leasing operations

The main changes brought about by IFRS 16 concern the accounting of *leasing* by lessees and the disclosure requirements of lessors. IAS 17 - the standard in force before IFRS

16 was published - stipulated that lessee and lessors classified their leasing operations as financial or operational and accounted for them according to this classification.

Niyama and Silva (2013) reflect the concern of the *International Accounting Standards Board* (IASB) with the interpretation of the essence of financial leasing, warning that the IASB, after extensive research, has concluded that this essence may be misunderstood by balance sheet preparers. They also state that this misinterpretation can lead to distortions in financial indicators, potentially resulting in a mistaken perception of the financial health of companies .

This suggests that the way *leasing* contracts are classified and reported can have a significant impact on the transparency and accuracy of financial statements. If balance sheet preparers do not correctly interpret the essence of financial leases, the resulting financial indicators may not reflect the company's true economic situation, negatively influencing the decision-making of investors and other stakeholders (Niyama & Silva, 2013).

In this line of reasoning, by ceasing to classify *leasing* as financial or operational, the issue of the essence prevailing over the legal form was also no longer discussed, since this concept guided the understanding that this classification advocated the need to account for a *leasing* operation with financial characteristics as financing sheltered for the acquisition of assets (in its essence), but which were accounted for as rent (legal form).

However, by failing to classify *leasing* in one category or another, IFRS 16 has established the obligation to preliminarily identify whether three conditions are met so that the entity can decide whether the contract is or contains a lease. These are the following conditions:

- a) Does the customer have the right to obtain substantially all the economic benefits from the use of the good over the entire period of use?
- b) Does the supplier or lessor have the right to direct how and for what purpose the asset is used during the period of use?
- c) Does the supplier or lessor have the right to direct how and with what specific asset is used during the period of use?

If these conditions are met, IFRS 16 considers that the entity has a right to use an asset under its control that does not depend on any influence from the supplier or lessor, that does not represent a service rendered and, finally, that the entity obtains substantially all the economic benefits during the period contracted for its use.

On the lessor's side, there were no significant changes in relation to IAS 17, and the classification of the leasing operation as financial or operating was maintained. In the case of operating leases, the lessor continues to recognize the underlying asset and does not recognize a financial asset for its right to receive lease payments. The main change resulting from the application of IFRS 16 for lessors refers to the substantial increase in the amount of information that must be disclosed.

Interestingly, it is important to note that the concept of substance over form for lessors continues to be characterized as “financing” for the purchase of assets or not. In other words, we understand that the lessee's concept of substance over form is different from the lessor's concept of substance over form.

2.2 Previous studies

Not many studies on *leasing* have been identified that deal with the impacts on the equity and financial structure of lessee companies, and of lessors that deal with changes in accounting standards, even though the standards in force (SFAS 13 by FASB and IAS 17 by

IASB) were the first to be issued. There is also a lack of research specifically dealing with the discussion of “substance over form” in the new IASB standard.

Previous research has focused more on the possible impact of the incorporation of assets under operating leases on the balance sheets of lessees. The work of Imhoff and Thomas (1988) is noteworthy that investigated the possible effects of SFAS no. 13 on the accounting statements of lessees and concluded that *capital lease* operations declined after the approval of the new standard with concomitant replacement by *operating lease* contracts and suggests the possibility of renegotiating contracts to mitigate the effects on the balance sheets.

In another article, Imhoff et al. (1991), 25 years earlier, already discussed the importance of long-term, non-cancellable contracts that have the characteristics of financial *leasing*. In their paper, they point out that many managers try to “manage” by registering them as leases rather than financed purchases. In this work, the authors developed a model for capitalizing operating leases, known as the constructive capitalization method. To do so, they applied this procedure to 14 North American companies with a significant impact on airlines.

Beattie, Edwards and Goodacre (1998) replicated Imhoff et al's model in 1998 and observed that 39% of total long-term obligations were not recognized as liabilities, in addition to observing the pre and post-capitalization effects on seven financial ratios, including return on equity, return on assets and asset turnover.

Kilpatrick and Wilburn (2006) used Imhoff's constructive capitalization model by repeating a sample of companies investigated in that work (they investigated 09 of the 14 companies surveyed) in order to verify whether there had been an increase in unrecorded liabilities and concluded that off-balance sheet items had increased from US\$ 722.6 million in 1987 to US\$ 2.65 billion in 2004, but also identified significant impacts on financial indicators, mainly debt and return on assets.

Duke, Hsieh and Su (2009) surveyed 50 US companies to assess possible impacts on financial indicators and corroborated the other studies that there is an adverse effect among non-capitalized liabilities and the level of indebtedness, concluding the arguments are in favour of changing the accounting treatment of operating leases (later included in IFRS 16). At the national level, it is worth highlighting the conceptual research with a theoretical approach developed by Matos and Murcia (2019), promoting a bibliographic review of *leasing* from 2000 to 2018 and contextualizing the implementation of the current IFRS 16.

3 Methodological procedures

This work is classified as a theoretical essay, as it aims to discuss knowledge that has not yet been fully developed in Brazilian literature. It is also an intermediate study between exploratory and explanatory research, meaning to identify, report, compare, among others (Raupp & Beuren, 2003).

In addition, the study used the qualitative method, through bibliographical and documentary research. While bibliographical research uses mainly the contributions of several authors on a subject of study, documentary research is based on materials that have not yet received an analytical treatment or can be reworked according to the research objectives (Raupp & Beuren, 2003).

To this end, more recent scientific articles were researched, especially the issue date of the standard under analysis, books on the subject, accounting standards and procedures on the subject issued by national and international organizations, which subsidized a comparative study on the changes made in the normative update on the accounting of leasing operations, in

addition to the analysis of information documents issued by auditing and consulting companies informing about the changes and impacts expected with the application of IFRS 16, such as the document issued by Ernst & Young. However, we have not identified specific research on the concept of substance over form in *leasing* operations after the publication of IFRS 16.

4 Results and Analysis

4 Some reflections on the concept of substance over form before and after IFRS 16 for lessees and lessors

4.1 Changes introduced and the impacts of IFRS 16 on the financial statements

The previous standard (IAS 17) made it possible for fraud, since in order to classify *leasing* as operational or financial, they made a value judgment and interpreted that a leasing operation, which in essence was a financing operation, was classified as operational, supported by a “distorted” interpretation and bringing consequences for companies' *reporting*.

As mentioned above, the model for classifying leasing as financial or operational has been changed so that, instead of being classified as one or the other, three basic requirements must be met in order for the operation to be classified as a “right to use an asset” and “an obligation to pay for the right to use the asset”, as follows:

- a) IASB explains that an asset is identified when it can be physically distinguished, and this may require a certain amount of judgment, such as situations in which even though it is not physically identified, this asset provides the right to substantially obtain the expected economic benefits arising from its use.
- b) Does the entity have the right to obtain substantially all the economic benefits from the asset throughout the use?

Even in IAS 17 we had the concept of transferring all the economic benefits to the entity that uses it, where once again the term substantially requires a certain value judgment. For example, when the contract provides for the payment of a cash flow or another part of the cash flows derived to the supplier, or to another party, arising from the use of the asset, it becomes necessary to assess whether there has been this substantial transfer of the aforementioned benefits.

- c) Does the customer have the right to direct how and for what purpose the asset is used during the period of use?

The supplier does not have the right to direct how and for what purpose the asset is used, since the contract states that only the customer can change how and for what purpose the asset is used during the lease period.

In IASB's view, by adopting the three requirements above, the risk of the information not showing the financial reality of the entity is reduced, so that there is no conflict with regard to the double recognition of the same asset (in the lessor and the lessee). Notwithstanding this understanding, in our opinion, there may be situations in which the lessee's liability has no counterpart in the lessor's asset.

With regard to accounting, a problem highlighted by Niyama (2018) is the use of two different models by lessees and lessors. For lessees there is a single model, while for lessors there is a dual model. So, the lessee recognizes an asset that gives it the right to exploit that

asset in order to generate economic benefits, in addition to recognizing a liability, i.e. an obligation to the lessor in return for enjoying the asset, but there is no double recognition in the accounting of the lease by the lessor. Only the leased asset is recognized, which in itself suggests an inconsistency, since the same asset is being recognized by two different entities, and the lessor does not recognize an asset resulting from the lessee's obligation to pay for the use of the asset.

Ernst & Young (2018) presented an informative document that lists the main changes brought about by IFRS 16 and briefly points out the main impacts that must be observed in the regulations, among them: the way in which leases are recognized for lessees, without differentiating between financial and operating leases; the notion that, as of the publication of the standard, in the lease contract the control and effects of the leased asset pass to the lessee; and the consideration for the lease to the lessees in the form of amortization expenses.

Finally, it should also be emphasized that Law 6.099/74 (the initial leasing legislation in Brazil, which was partially amended by Law 7.132/83) still requires, in its article 3. That the leased asset be accounted for as a fixed asset of the lessor. With the enactment of law 11.638, in which assets under control but not necessarily owned by the company were recognized as assets, leased goods resulting from financial leasing began to be capitalized as assets and, consequently, reflecting the same asset in duplicate. Faced with this fact, the National Monetary Council and the Central Bank of Brazil explicitly maintain in their regulations that the leased asset is part of the lessor's fixed assets, with the advent of IFRS 16. The problem continues to exist, with the aggravating factor (since it is now not limited to financial leasing) that what is reflected as the Right of Use of the Leased Asset (operating leasing) in the lessee 'may not have any reflection (if the lessor is not an institution authorized by BACEN or also has duplicate fixed assets)'.

4.2 The new concept of substance over form from the perspective of IFRS 16 in the lessee, but preserving the previous concept in the lessor

With IFRS 16 and the consequent elimination of the classification of *leasing* as financial or operational, it is up to the professional in the area to interpret how the *leasing* must be accounted for to the lessees, but not only that: it is possible to determine, more clearly, whether a given transaction between the companies qualifies as a contract of *leasing* and whether this contract can really be signed.

With this understanding, what can be concluded is that the concept of "essence over form" now exists in the following aspect: "Is there in essence a right to use an asset, and therefore an obligation to pay for that right to use it? In other words, those questions that were previously in force, such as "option to buy for a symbolic amount", "contract term that substantially covers the useful life of the asset", "present value of the minimum payments of *leasing* that correspond to the fair value of the leased asset" no longer make sense in this new IFRS 16 approach.

For a lease agreement to be signed, according to the new regulations, the benefits and risks must be substantially transferred to the lessee. This is because the understanding is that *leasing* imposes the transfer of an asset, for a previously determined term, and for the leased asset to meet the criteria for asset recognition, it must pass to the control of the entity that leased it, so that it incorporates all the risks and benefits inherent in its use.

Curiously, in our opinion, by preserving the classification as financial and operational in the lessor, the concept of essence over form provided for in IAS 17 is maintained, i.e. if there

is an operation of *leasing* camouflaged as financing or if it is simply the provision of (operational) services.

4.3 Recognition and measurement of the right to use the asset based on the measurement of the liability

Once the contract has been signed, the lease liability is measured and, to do this, it is necessary to calculate the discount rate to bring the amounts to be paid in each installment to present value, thus, the quote from Matos and Niyama (2018) describes the process of measuring lease liabilities in accordance with IFRS standards. As explained, the first step is to measure the lease liability on the contract start date, which is the moment when the asset is made available for use. The lessee must calculate the present value of lease payments that have not yet been made by that date.

Matos and Niyama (2018) explain that future lease payments should be discounted using the interest rate implicit in the lease, if this rate can be determined immediately. Otherwise, the lessee should use its incremental borrowing rate to discount these payments. This approach ensures that the lease liability accurately reflects the current cost of future payments, taking into account market conditions and the applicable interest rate.

Another important point to note when drawing up a contract for *leasing* is the definition of its duration, which is linked to subjective criteria that relate to what will be done with the asset at the end of the contract. In this regard, still in Matos and Niyama (2018), it is possible, in our understanding, that the economic essence lies in the judgment of the concept of reasonably certain and not necessarily in the concept contractually established:

The quote highlights the subjectivity involved in defining the lease term, as described by IFRS standards. According to Matos and Niyama (2018), preparers of financial statements have a certain margin of discretion when determining this term. The standard specifies that the lease term should include the non-cancellable period of the contract, in addition to the following components:

1. **** Periods covered by an option to extend the lease****, if the lessee is reasonably sure to exercise that option.
2. **** Periods covered by a lease termination option****, if the lessee is reasonably certain not to exercise that option.

These criteria require preparers to assess the likelihood of exercising or not exercising the lease extension or termination options, adding an element of professional judgment to the process of defining the lease term. This can significantly influence the recognition and measurement of lease-related assets and liabilities in the financial statements.

4.4 Asymmetry (or lack thereof) between the lessee's and lessor's financial statements.

There is a lot of discussion around this issue because, from the users' point of view, the accounting records of the *leasing* of the lessees do not present symmetrical information when compared with the records of the lessors, precisely because of the single model, which omits the recognition of the lessor's counterpart and restricts the cross-checking of information when comparing the two entities, that is, once again emphasizing that not every liability of the lessee necessarily has a counterpart in the assets of the lessor.

The unreliability of the information is also a result of the lack of an international standard regarding the recognition of the *leasing*, because it becomes very difficult to compare how the records were made in entities in different locations, corroborating this, Cornaggia, Franzen & Simin (2013) apud Matos and Niyama (2018) highlight two main points about the importance of an international accounting standard and the application of the concept of "substance over form" in leases:

a) The need for an international standard:

- The implementation of an international leasing rule by IFRS (*International Financial Reporting Standards*) is crucial to avoid the dispersion of different accounting methods.

- This results in better comparability of financial statements, which helps to reduce disparities in financial reporting between different entities and jurisdictions.

b) Concept of Essence over Form:

- This concept is applied differently for lessees and lessors.

- For the Lessee: The emphasis is on recognizing a right to use an asset and the obligation to pay for that use.

- For the Lessor: The classification of the lease as financial or operational is maintained. This means checking whether the lease is in fact a financing for the acquisition of an asset.

This distinction ensures that lessees and lessors account for leases in a way that better reflects the underlying economic reality, promoting transparency and consistency in the financial statements.

5 Final considerations

The elimination of *leasing* in financial and operating leases was very important, as it caused several problems for the user, who was often unable to distinguish between the two types of instruments and had difficulty determining the essence of the instrument *leasing*. However, this recognition is not valid for lessors, i.e. previously the discussion of "substance over form" focused on whether the *leasing* was a "financed sale and purchase". With IFRS 16, the essence is whether the lessee has a right to use an asset that generates future economic benefits and an obligation to pay for that use of the asset, so it doesn't matter whether the residual value is symbolic, whether the present value of the payments represents the fair value of the asset at the start of the contract or whether the contract covers most of the asset's useful life.

As far as lessors are concerned, the *reporting* continues to follow the same criteria for classification as financial and operating as set out in the previous standard, and the most aggravating factor is when it comes to operating leases, since the same asset can be recognized in both entities. We would like to point out that under the legislation in force, a leased asset is reflected in duplicate in both the lessee and the lessor.

Still on this subject, the regulations have managed to solve the problem of the essence over the form of the *leasing* only in part, given that the requirements for changing the accounting of the counterpart (liability) of financial and operating leases were found only in the balance sheets of the lessee entities, so that the lease, regardless of whether it is operating or financial, is now accounted for as it really is: a long-term financing of an asset, unlike what happens for lessors who do not record a counterpart in the form of a financial asset for the leasing operation.

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