

# BOARD OF TREASURERS

MEDIA RELEASE



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## INFORMATION PAPER NEW LEASE ACCOUNTING STANDARD AND ITS IMPACT ON THE REPORTING OF GROSS AND NET DEBT FROM 2019-20

The Board of Treasurers of Australia's States and Territories today released an Information Paper outlining the implications for the reporting of gross and net debt levels following the application of Australian Accounting Standard AASB 16: *Leases*, which will come into effect for financial reporting in Australia for all reporting periods from 1 January 2019.

The new standard, which impacts the financial statements of both public and private sector reporting entities, is expected to be reflected in the 2019-20 Budgets of the Australian States and Territories and will result in a material increase in the reported level of gross and net debt for each jurisdiction.

Importantly, while an increase in reported debt levels will be apparent under the new standard, there will be no change in the economic or legal circumstances of the States and Territories as a result of applying AASB 16. On transition to the new standard there will be a significant increase to jurisdictions' forecasts of assets and liabilities in Budget projections, but the Paper explains that the effect of the change on gross and net debt is largely one of timing, with no change to cash payments expected as a result of this accounting re-measurement.

Reflecting this, the credit rating agencies, while continuing to make their own independent assessments, may 'look through' the impact of AASB 16 for credit rating purposes.

The standard increases transparency of lease arrangements by reducing off-balance sheet reporting and bringing consistency to the measurement of lease obligations. This compares with the current standard which reports rental contracts and other operating leases without reference to any future payment obligations.

The Information Paper outlines how the change in lease measurement will be shown in State and Territory whole-of-government financial disclosures, and its expected effect on public sector reporting of gross and net debt levels in Australia.

The Paper has been prepared jointly by State and Territory Treasuries and is available from the Board of Treasurers' website: <https://www.treasury.nsw.gov.au/board-treasurers>

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The Hon. Dominic Perrottet MP,  
Treasurer of New South Wales  
(Current Chair - 2018)

The Hon. Tim Pallas MP,  
Treasurer of Victoria

The Hon. Jackie Trad MP,  
Treasurer of Queensland

The Hon. Ben Wyatt MLA,  
Treasurer of Western Australia

The Hon. Rob Lucas MLC,  
Treasurer of South Australia  
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The Hon. Peter Gutwein MP,  
Treasurer of Tasmania

Mr Andrew Barr MLA,  
Chief Minister and Treasurer  
of the Australian Capital Territory

The Hon. Nicole Manison MLA,  
Deputy Chief Minister and Treasurer of  
the Northern Territory