
STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 9

Accounting for Depreciation of Statutory Board-Owned Assets Situated on Land Allocated under Tenancy Agreements Governed by State Land Rules

SB-FRS Guidance Note 9 Accounting for Depreciation of Statutory Board-Owned Assets Situated on Land Allocated under Tenancy Agreements Governed by State Land Rules applies to Statutory Boards for annual periods beginning on or after 1 April 2021. Earlier application is permitted.

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Statutory Board Financial Reporting Standard Guidance Note 9 *Accounting for Depreciation of Statutory Board-Owned Assets Situated on Land Allocated under Tenancy Agreements Governed by State Land Rules* is set out in paragraphs 1-6. All the paragraphs have equal authority. SB-FRS Guidance Notes are issued to standardise the accounting and disclosure requirements of Statutory Boards in specific areas and are to be complied with by Statutory Boards. These Guidance Notes rank behind SB-FRS and INT SB-FRS in terms of importance.

Statutory Board Financial Reporting Standard (SB-FRS) Guidance Note 9

Accounting for Depreciation of Statutory Board-Owned Assets Situated on Land Allocated Under Tenancy Agreements Governed by State Land Rules

Objective

1. The objective of this Guidance Note is to provide guidance to Statutory Boards on the depreciation of Statutory Board-owned assets (e.g. buildings, refurbishments, and infrastructure etc.) situated on land allocated from the Singapore Land Authority (SLA) or other public sector agencies through tenancy agreements issued under the State Lands Act¹. These assets may have useful lives that are longer than the stipulated lease term².

Scope

2. A Statutory Board shall apply this Guidance Note on the depreciation of Statutory Board-owned assets situated on land allocated from SLA or other public sector agencies through tenancy agreements issued under the State Lands Act.

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3. SLA or other public sector agencies which possess land allocated from SLA may enter into tenancy agreements issued under the State Lands Act with certain Statutory Boards. Similar tenancy agreements may also be entered into amongst Ministries and Statutory Boards. These tenancy agreements are usually subject to renewal upon expiry of the agreements after three years, based on the discretion of SLA or other relevant authority.
4. Statutory Boards which enter into such tenancy agreements with SLA or other public sector agencies which possess land allocated from SLA may have assets situated on the allocated land with useful lives that are longer than the stipulated tenancy term. These assets include:
 - (i) Buildings;

¹ According to State Land Rules, every tenancy under these Rules shall be for a term not exceeding 3 years and may, at the discretion of the Collector of Land Revenue, be renewed upon its expiration for a period not exceeding 3 years upon any one renewal.

² SLA or other public sector agencies which possess land allocated from SLA may enter into tenancy agreements with certain Statutory Boards. The renewal of these tenancy agreements is not specifically stated in the tenancy agreements.

- (ii) Building works and improvements;
 - (iii) Renovations; and
 - (iv) Infrastructure (e.g. sidewalks)
5. SB-FRS 16 paragraph 50 requires an asset to be depreciated over its useful life. Where these assets e.g. buildings, refurbishments and infrastructure are situated on land allocated from SLA or other public sector agencies through tenancy agreement issued under the State Lands Act, the expected tenancy term of the leased land should also be considered when depreciating these assets. Statutory Boards should depreciate these assets at the shorter of the useful lives of the assets or the *expected* tenancy term. Statutory Boards are to apply judgement to determine the expected tenancy term. For example, Statutory Boards can consider the following factors (non-exhaustive and in no particular order of importance):
- (i) Land use planning approval from Urban Redevelopment Authority (URA) and SLA – Statutory Boards’ approved tenure for use of the site on which the buildings/infrastructure are built, which can be found in Statutory Boards’ submission to seek land use planning approval from URA and SLA, could be used as a basis for determining the expected tenancy term.
 - (ii) Historical land lease renewal experience with SLA or other relevant public sector agency landlord – Whether there is a high probability based on past land lease experience that the tenancy will be renewed after the stipulated tenancy term.
 - (iii) Land zoning plans - Whether the allocated land may be re-designated by URA for other purposes before the end of the assets’ useful lives. Statutory Boards can refer to the URA Master Plan, which is publicly available. While the Master Plan is subject to review every five years, land use zoning for purpose-built developments e.g. Community Centres (CCs) and hospitals are unlikely to change unless affected by redevelopment plans. Where redevelopment plans directly affect Statutory Boards’ buildings/infrastructure e.g. require relocation, Statutory Boards would have been made aware of the implementation timeline and can factor this into consideration.
 - (iv) Any other information that may indicate that the tenancy may not be renewed upon the expiry of the tenancy agreement.

Effective Date

6. This Guidance Note is operative for financial statements covering periods beginning on or after 1 April 2021. Earlier application is permitted.

Examples

Historical Land Lease Renewal Experience with SLA

Scenario:

Statutory Board A's buildings are situated on land leased from SLA through a tenancy agreement issued under the State Lands Act (i.e. on a three-year term, subject to renewal upon expiration). According to Statutory Board A's asset useful life policy, the building and building improvements carried out by Statutory Board A have an expected useful life of ten years. This is within Statutory Board A's approved tenure for use as stipulated in its submission to seek land use planning approval from URA and SLA. Based on past land lease renewal experience with SLA, the management of Statutory Board A is confident that the lease term of the land will be renewed by SLA upon the three-year lease expiry. To date, nothing has come to Statutory Board A's attention that SLA will not renew the lease term, or that its buildings will be affected by future redevelopment plans.

Application:

Statutory Board A should depreciate its buildings and improvements over the expected useful life of ten years, rather than SLA's stated tenancy duration of three years.

Land use Planning Approval from URA and SLA

Scenario:

Statutory Board B entered into a new tenancy agreement with SLA (i.e. on a three-year term, subject to renewal upon expiration). According to Statutory Board B's asset useful life policy, Statutory Board B's building and building improvement works on the land leased from SLA have an expected useful life of thirty years. Statutory Board B has no past land lease renewal experience with SLA for this tenancy agreement. Statutory Board B refers to its past submission to seek land use planning approval from URA and SLA, which stated that approval has been obtained from the aforementioned authorities for Statutory Board B to use the land over its proposed tenure of thirty years. To date, nothing has come to Statutory Board B's attention that its buildings will be affected by future redevelopment plans.

Application:

Statutory Board B should depreciate its buildings and building improvement works over the expected useful life of thirty years, rather than SLA's stated tenancy duration of three years.