

Mr Hans Hoogervorst  
Chairman  
IFRS Foundation  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom  
Email: [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

7 May 2020

## **Invitation to Comment - Exposure Draft ED/2020/2: COVID-19-Related Rent Concessions – Proposed Amendment to IFRS 16**

Dear Mr Hoogervorst

We are pleased to respond to the IASB's Exposure Draft in respect of the matter listed above.

We welcome the IASB's issuance of this limited-scope amendment to IFRS 16. We agree that, given the immense level of disruption caused by COVID-19, it is appropriate to offer relief from the lease modification requirements of IFRS 16 for affected entities. The practical expedient would provide lessees with such relief and would avoid undue costs and efforts to determine whether the rent concession is a lease modification or not and thereafter to determine a new discount rate for modified lease payments. The amendment would still enable them to continue providing useful information about their leases to users of financial statements, particularly since it would be consistently applied to all rent concessions and disclosed in the notes to the financial statements.

We agree that the need for action on this matter is urgent. Given the need for urgency, we believe that it is appropriate to enact the practical expedient in its current form, without amendment, rather than to attempt a revision process which may cause delay. The benefits of rapid action on this issue significantly outweigh any benefits that might be gained from revision of the text to address perceived issues.

We note the IASB's reasons for not addressing lessor accounting in paragraph BC3 of the amendments, however we understand that lessors are also facing significant practical difficulties in accounting for the lease modifications arising from the large volume of COVID-19 related rent concessions. Accordingly, we believe that lessors should be granted similar reliefs.

Further, we believe that the enactment of the practical expedient should be a first step taken by the IASB and that further action may be necessary to address the matters raised below. Our view is that some of the matters raised below may be appropriately addressed by the provision of educational materials or illustrative examples by the IASB, rather than through further revision to Standards.

1. The "basis for conclusions" paragraphs, and in particular BC7, contain useful guidance on the treatment of the concession within the income statement. We believe this could be usefully included in application guidance, and further expanded with illustrative examples.
2. We believe there is likely to be some debate about the scope limitation being "a direct consequence of the covid-19 pandemic," particularly in respect of what is a direct consequence, and what is an indirect consequence due to the economic disruption caused by the pandemic. We believe that further guidance and illustrative examples from the IASB in this area may be beneficial.

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3. We note the practical expedient is time limited to the calendar year 2020. We understand the need to place a time limit rather than to have an open-ended expedient. However, the scale and timing of the impact of COVID-19 is currently unknown and is likely to vary substantially between different jurisdictions. There is also the possibility of subsequent “waves” of infection. This approach may also lead to similar transactions being treated differently within the same financial year for those entities which do not have a 31 December period-end. We believe the IASB should either remove the restriction to 2020, or it should continue to monitor carefully the appropriateness of this cut-off period throughout 2020, and consider extension in late 2020 if such a need is apparent.

4. As a longer-term project, the IASB may wish to consider whether such a practical expedient could be applied more generally in situations of natural disaster, such as flooding, earthquake, or bushfire, which may result in similar rent concessions. While the impact of such disasters is local rather than global, the effect of the disruption caused on affected entities can be equal or greater than that caused by COVID-19.

We would be pleased to respond to any comments the Board or its staff may have about our response. If you have any questions or comments please do not hesitate to contact Ralph Martin (+61 (0)8 9261 9374) or me (+44 (0)207 601 1842).

Yours faithfully,



Marion Hannon  
Global Leader, Quality & Risk  
RSM International

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