

Exposure Draft

Covid-19-Related Rent Concessions beyond 30 June 2021

Amendment to Ind AS 116, *Leases*

Comments to be received by April 17, 2021



**Accounting Standards Board
The Institute of Chartered Accountants of India,
New Delhi, India**

Introduction

The International Accounting Standards Board (IASB) had issued COVID-19-Related Rent Concessions, which amended IFRS 16, Leases, in May 2020. The 2020 amendment permitted lessees, under paragraph 46A of IFRS 16, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. Among other conditions, the 2020 amendment permitted lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. The IASB included this condition to:

- (a) provide relief to lessees during the height of the pandemic when they were expected to need it most;
- (b) address concerns from users of financial statements about the usefulness of the information that would be provided if the practical expedient were to be applied beyond when it is needed most; and
- (c) make the practical expedient easier to apply.

Since Indian entities preparing Ind AS based financial statements were facing similar challenges and situations like the International scenario and to remain converged with IFRS standards, amendments to Ind AS 116, corresponding to aforesaid amendments issued by IASB, as recommended by ICAI and examined and recommended by NFRA, were notified by the MCA on July 24, 2020.

In March 2021 the IASB has issued *Covid-19-Related Rent Concessions beyond 30 June 2021* (the 2021 amendment), to extend the availability of the practical expedient in paragraph 46A by one year so that it applies to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The objective of the proposal is to continue providing lessees with practical relief during the on-going COVID-19 pandemic while enabling them to continue providing useful information about their leases to users of financial statements.

Considering that Indian entities are also likely to face similar challenges, the Accounting Standards Board (ASB) of ICAI has issued the Exposure Draft of proposed amendments to Ind AS 116, *Leases*, for public comments with last date as **April 17, 2021**.

The above mentioned Exposure Draft is hosted on the website of the Institute of Chartered Accountants of India (www.icai.org).

The comment period on the proposal is kept short to expedite the process of considering issuance of this practical relief in time.

How to comment:

Comments should be submitted using one of the following methods, so as to be received not later than **April 17, 2021**:

1. **Electronically:** Visit at the link <http://www.icai.org/comments/asb/> (Preferred method):

2. **Email:** Comments can be sent to: commentsasb@icai.in

3. **Postal:** Secretary, Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi 110 002

Further clarifications on this Exposure Draft may be sought by e-mail to asb@icai.in.

Amendment to Ind AS 116, *Leases*

Paragraph 46B is amended. Paragraphs C1C and C20BA–C20BC are added. New text is underlined and deleted text is struck through.

Lessee

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Measurement

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Subsequent measurement

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Lease modifications

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46B The practical expedient in paragraph 46A applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before the 30th June, ~~2021-2022~~ (for example, a rent concession would meet this condition if it results in reduced lease payments on or before the 30th June, ~~2021-2022~~ and increased lease payments that extend beyond the 30th June, ~~2021-2022~~); and
- (c) there is no substantive change to other terms and conditions of the lease.

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Appendix C Effective date and transition

Effective date

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C1C Covid-19-Related Rent Concessions beyond 30 June 2021, amended paragraph 46B and added paragraphs C20BA–C20BC. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 April 2021. In case a lessee has not yet approved the financial statements for issue before the issuance of this amendment, then the same may be applied for annual reporting periods beginning on or after April 1, 2020.

Transition

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Covid-19-related rent concessions for lessees

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C20BA A lessee shall apply Covid-19-Related Rent Concessions beyond 30 June 2021 (see paragraph C1C) retrospectively, recognising the cumulative effect of initially applying that amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

C20BB In the reporting period in which a lessee first applies Covid-19-Related Rent Concessions beyond 30 June 2021, a lessee is not required to disclose the information required by paragraph 28(f) of Ind AS 8.

C20BC Applying paragraph 2 of this Standard, a lessee shall apply the practical expedient in paragraph 46A consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying Covid-19-Related Rent Concessions (see paragraph C1A) or Covid-19-Related Rent Concessions beyond 30 June 2021 (see paragraph C1C).