

**Exposure Draft**

**Covid-19-Related Rent Concessions**  
**beyond**

**30 June 2021**

**Proposed amendment to IFRS 16**

Question 1—Extended scope of the practical expedient (paragraph 46B(b) of the [Draft] amendment to IFRS 16)

The Board proposes to amend paragraph 46B(b) of IFRS 16 to extend the availability of the practical expedient in paragraph 46A so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions in paragraph 46B are met.

Do you agree with this proposal? Why or why not?

**Comments:** This para proposes only a change in the period by substituting year 2022 in the place of year 2021. There is no other change. The implication is that it extends by one more year the rent concessions.

We agree with the proposed amendment.

This change is necessary since globally around 364 thousand cases on an average reported everyday as on date. In the most optimistic scenario, it would take about six to seven months to produce enough vaccines to achieve herd immunity by protecting at least 60-80% of the world population. WHO reports that vaccine wastage amounts to approximately 50% every year, often because of inadequate temperature control of the supply chains. It will likely take years for the majority of the world's population to become immunized against COVID-19. GDP of most of the world countries is negative and contracted and it may take another two years to turn positive. We acknowledge the uncertainty associated with the length and severity of the continuing Covid 19 scenario and the consequential negative impacts on the economic environment that has necessitated the covid-19 related rent concessions. Hence the extension is necessary till June 2022.

Question 2—Effective date and transition (paragraphs C1C, C20BA and C20BB of the [Draft] amendment to IFRS 16) Paragraphs C1C, C20BA and C20BB of the draft amendment to IFRS 16 propose that a lessee applying the practical expedient in paragraph 46A would:

(a) apply the amendment for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not yet authorised for issue at the date the amendment is issued;

(b) apply the amendment retrospectively, recognising the cumulative effect of initially applying the 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; and

(c) not be required to disclose the information required by paragraph 28(f) of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in the reporting period in which the lessee first applies the amendment.

Do you agree with this proposal? Why or why not?

**Comments:**

(a) We support the proposal that the Amendments should be applied to annual reporting periods beginning on or after 1 April 2021 with early application permitted; including in financial statements not yet authorized for issue at the date the amendment is issued.

(b) We agree with the proposal that entities should apply the exemption retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, but are not required to modify retrospectively. Any restatement of comparative prior-period information would provide limited benefit and would be potentially costly for lessees and supports the presentation of prior period effects in the opening balance of the statement of equity.

(c) We agree that proposal not to require the disclosures in paragraph 28(f) of IAS 8 in the reporting period in which the lessee first apply the amendment as it is in line with information provided under current requirements. Unlike for the 2020 Amendments that were not optional, there may be need for reversal of lease modification accounting by lessees that have approved and notified their financial statements. This would arise if such lessees have eligible lease contracts that were not eligible for the 2020 Amendments due to the 30 June 2021 time limit. It is to be noted that the financial year in some of the Asian countries is 1 April to 31<sup>st</sup> March unlike calendar year 1 January to 31<sup>st</sup> December in western countries and hence retrospective exemption has no significance to such countries.

D) It is not clear whether interim financial statements like quarter year ending, half year ending and 9 month period ending are covered by the wording 'including in financial statements not yet authorized for issue at the date the amendment is issued', hence the Exposure draft amendment may take into account the above scenario.

e) Present IFRS 16 is not taking into account concessions that are not lease modifications and hence either an independent IFRS or expansion of IFRS 16 is imperative.

f) IFRS 16 has to consider the inter relationship with other IFRS like IFRS 9, IFRS 15 so that disclosure will avoid duplications and reporting system will be simple to stakeholders.

g) The exposure draft has to take into account the impact level of pandemic in various world countries and permit flexibility while applying the standards.