



## **Covid-19-Related Rent Concessions**

### **Issued June 2020**

This Standard was issued on 11 June 2020 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(2) of the Financial Reporting Act 2013 takes effect on 11 June 2020.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date set out in Part D.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Tier 1 and Tier 2 For-profit Accounting Standard is based on an amendment to IFRS 16 *Leases* issued by the International Accounting Standards Board. The amendment to NZ IFRS 16 permits lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

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## COVID-19-RELATED RENT CONCESSIONS

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The following is available within New Zealand on the XRB website as additional material

**APPROVAL BY THE IASB OF *COVID-19-RELATED RENT CONCESSIONS* ISSUED IN MAY 2020**

**AMENDMENT TO THE IASB BASIS FOR CONCLUSIONS ON IFRS 16 *LEASES***

## Part A – Introduction

This Standard sets out an amendment to NZ IFRS 16 that permits lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications. Tier 2 entities are required to comply with all the requirements in this Standard.

## Part B – Scope

**This Standard applies to Tier 1 and Tier 2 for-profit entities.**

## Part C – Amendment to NZ IFRS 16 Leases

Paragraphs 46A, 46B, 60A, C1A, C20A, and C20B are added. A new heading is added before C20A. For ease of reading these paragraphs have not been underlined.

### Lessee

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#### **Measurement**

...

#### **Subsequent measurement**

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#### *Lease modifications*

...

46A As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the conditions in paragraph 46B) is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

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 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- (c) there is no substantive change to other terms and conditions of the lease.

...

## Disclosure

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- 60A If a lessee applies the practical expedient in paragraph 46A, the lessee shall disclose:
- (a) that it has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient (see paragraph 2); and
  - (b) the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient in paragraph 46A.

## Appendix C Effective date and transition

### Effective date

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- C1A *Covid-19-Related Rent Concessions*, issued in June 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 11 June 2020.

### Transition

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#### **Covid-19-related rent concessions for lessees**

- C20A A lessee shall apply *Covid-19-Related Rent Concessions* (see paragraph C1A) 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.
- C20B In the reporting period in which a lessee first applies *Covid-19-Related Rent Concessions*, a lessee is not required to disclose the information required by paragraph 28(f) of NZ IAS 8.

## Part D – Effective Date

This Standard shall be applied for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including financial statements not yet authorised for issue at 11 June 2020.