

25 February 2021

Mr Hans Hoogervorst  
Chairman of the International Accounting Standards Board  
IFRS Foundation  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
**United Kingdom**

Submitted to: [www.ifrs.org](http://www.ifrs.org)

Dear Hans

***ED/2021/2 Covid-19-Related Rent Concessions Beyond 30 June 2021***

Thank you for the opportunity to comment on *ED/2021/2 Covid-19-Related Rent Concessions Beyond 30 June 2021* (the ED). The ED has been exposed for comment in New Zealand and, due to its short comment period, New Zealand constituents have been advised to comment directly to the IASB.

We note that the ED proposes to amend IFRS 16 *Leases* to extend the scope of previous amendments to that Standard. Specifically, the previous amendments made on 28 May 2020 provide a practical expedient which allows lessees to elect not to assess whether Covid-19-related rent concessions are lease modifications.

While we did not comment on the previous amendments, we agree that there is an ongoing need to provide practical relief to preparers due to the unforeseen and ongoing impacts of the Covid-19 pandemic. Accordingly, we support the proposals in the ED to extend the time frame for which lessees may apply the practical expedient by 12 months, from 30 June 2021 to 30 June 2022.

We believe that extending the time frame by 12 months and allowing early application most appropriately provides immediate practical relief to preparers while retaining comparability of lessees' financial statements and limiting amendments to IFRS 16.

Our responses to the specific questions for respondents are provided in the Appendix to this letter. If you have any queries or require clarification of any matters in this letter, please contact Jamie Cattell (Jamie.Cattell@xrb.govt.nz) or me.

Finally, we also wanted to express our appreciation to the IASB for its prompt and decisive action in developing the proposals in the ED. As with the original amendment, it comes at a time when many entities are facing significant challenges. The proposals in the ED, and the short time frame in which they were developed, clearly demonstrate the IASB's ongoing commitment to addressing emergent accounting issues for both preparers and users of financial statements.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Carolyn Cordery', written in a cursive style.

Carolyn Cordery  
**Chair – New Zealand Accounting Standards Board**

## Appendix

### **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?

As it has become clear that rent concessions related to the pandemic are continuing to affect lease payments due after 30 June 2021, we believe it is appropriate that the availability period is reconsidered.

We agree with the proposal to amend paragraph 46B(b) to extend the availability of the practical expedient by 12 months to 30 June 2022 (as opposed to the six-month period also considered by the Board). Our view is that the proposed 12-month period most appropriately balances the need to provide relief to preparers with the desire to target the relief on the period it is most needed and limit frequent amendments to IFRS 16.

We note that the Board considered whether the time restriction in paragraph 46B(b) should be removed from IFRS 16. It is important that the practical expedient continues to be limited to a particular period, despite uncertainty as to how long that period should be. We acknowledge that there may be Covid-19-related rent concessions that affect lease payments after 30 June 2022 and understand the desire of some to also capture such transactions. However, we consider it would be counter-productive to remove the need to make judgements about whether particular rent concessions are lease modifications and then replace them with judgements of whether they are Covid-19-related.

We believe that retaining the time restriction provides appropriate relief to preparers in the period when it is most needed without sacrificing the comparability of lessees' financial statements.

## Question 2

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?

We agree with the proposal in Question 2(a) that lessees apply the amendment for annual reporting periods beginning on or after 1 April 2021. As the impact of the pandemic is ongoing, it is important that any practical relief be available for application as soon as possible. Allowing application from this date will maximise the practical benefits to preparers and provide them with certainty regarding the accounting treatment of any extended Covid-19-related rent concessions they have received.

As we note that the other proposals referred to in Question 2(b) and 2(c) are consistent with those already included in IFRS 16 due to the previous amendment we have not commented on them.