



Meeting summary of the Leases Advisory Panel (“Panel”) of the Financial Reporting Standards Committee (“FRSC”) held on Wednesday, 17 February 2021 at 2:30 p.m. via teleconference.

IASB Exposure Draft ED/2021/2: *Covid-19-Related Rent Concessions beyond 30 June 2021* (ED)

Background

- Panel members noted that the objective of the meeting was to seek Panel’s feedback and comment regarding the IASB Exposure Draft ED/2021/2: [*Covid-19-Related Rent Concessions beyond 30 June 2021*](#)
- SSD staff provided a brief summary of the proposed amendment to IFRS 16.

Panel’s feedback

- Panel members generally supported the IASB’s proposal to extend the scope of the practical expedient by one year; i.e. to be applicable 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 of IFRS 16 are met.
- Panel members acknowledged that as explained in paragraph BC8 of the ED, the proposal only amends the date with the condition in paragraph 46B(b) of IFRS 16. It neither introduces a new practical expedient nor a new option to apply (or not apply) the practical expedient. Therefore, a lessee that has already applied the practical expedient in paragraph 46A of IFRS 16 must also apply the extended scope of the practical expedient proposed in this ED. Similarly, the proposal in this ED does not allow a lessee to elect to apply the practical expedient if the lessee has previously elected not to apply it to eligible rent concessions. However, some Panel members recommended the IASB to re-consider allowing entities to have a new option to apply or not to apply the practical expedient because of the following reasons:
 - Entities may elect not to apply the practical expedient in the past as the eligible rent concessions were immaterial, however, rent concessions offered by the lessors beyond 30 June 2021 may become material;
 - As the practical expedient aims to reduce cost and complexity, and provide relief to the reporting entity during this difficult time, it is contradictory not to allow an option for lessees to reconsider and elect the practical expedient if they chose not to previously; and
 - Application of the proposed amendment would be made retrospectively in all cases and provide useful information regarding the rent concessions to the users of financial statements.

Post-meeting note:

SSD staff acknowledged the Panel members concern that the proposal does not allow entities to have a new option to re-elect the practical expedient; however, SSD staff believe further consideration would be necessary with regard to whether to allow re-election of the practical expedient to different circumstances in order to avoid unintended consequences. This may delay the issue of the final amendment, of which time is of essence. Furthermore, SSD staff believe that the number of lessees who could potentially benefit from the re-election would be limited because lessees who are most in need of the relief would have applied the practical expedient as finalised in May 2020. This matter is discussed at the FRSC meeting. The FRSC acknowledged Panel members concern, however, the FRSC agreed with the SSD staff analysis and recommendation not to incorporate this suggestion in the IASB comment letter.