

18th June, 2020

Ms Irene Tinagli
Member of the European Parliament
Chair ECON Committee
European Parliament
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submitted electronically by email

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Re.: Endorsement of Covid-19 Pandemic Driven Amendments to IFRS

Dear Ms Tinagli

The Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW) represents over 11,000 Wirtschaftsprüfer [German Public Auditors], which is approximately 85 % of all Wirtschaftsprüfer in Germany. German Public Auditors are the only profession in Germany to have been entrusted with the performance of statutory audits of the financial statements of the larger publicly listed entities that publish financial statements in compliance with IFRS as adopted in the European Union.

As you will be aware, on 28 May 2020, the International Accounting Standards Board (IASB) issued an amendment to IFRS 16 "Leases" providing certain specific reliefs to lessee financial statement preparers relating to their accounting for Covid-19-related rent concessions such as rent holidays and temporary rent reductions.

To date, these amendments to IFRS 16 have not been subject to the EU endorsement procedure for IFRS. Consequently, despite the IASB having developed these relief provisions with unprecedented speed, European companies that urgently need to benefit from each and every measure aimed at easing Covid-19 pandemic related impacts, lack certainty as to whether they should apply this relief.

We assume that the EU Commission would not purposely intend to deny any relief mechanisms to European business entities, and would like to stress that were European entities denied the benefit of this relief – even if only due to

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Daniela Kelm, RA LL.M.;
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uncertainty – they would be obligated to collect and process a significant amount of additional information relating to Covid-19-related rent concessions. This would entail an often costly and resource intensive exercise; one from which many of their competitors outside Europe would be exempt.

Many German companies required to apply IFRS 16 are currently in the process of preparing their half-year financial statements to June 30th, 2020. They urgently need clarification, so as not to be placed in the precarious position of having to decide whether or not to apply this relief, thereby potentially opening themselves to subsequent challenge by their auditors and national enforcement authorities.

We understand that the endorsement proposal will likely not be ready for submission to the European Parliament (EP) and Council until the end of the first week of July 2020, and would like to strongly urge ECON and the European Parliament to immediately do all it can to ensure the affected entities are not denied the ability to use this relief forthwith, as was intended by the IASB. To this end, there is an urgent need to find and communicate a workable solution to all affected.

We would be pleased to provide you with further information if you have any additional questions about our response, and would be pleased to be able to discuss our views with you.

Yours sincerely,

Klaus-Peter Naumann
Chief Executive Officer

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