

Mr Hans Hoogervorst, Chair
International Accounting Standards Board
Columbus Building 7
Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

24 February 2021

602/636

Dear Mr Hoogervorst

Re.: IASB Exposure Draft ED/2021/2 'Covid-19-Related Rent Concessions beyond 30 June 2021'

The IDW appreciates the opportunity to comment on the IASB's Exposure Draft (ED) 2021/2 'Covid-19-Related Rent Concessions beyond 30 June 2021'.

We are pleased to see that the Board remains committed to not imposing additional or undue burdens on preparers, particularly in these exceptional and unforeseen circumstances of the covid-19 pandemic. Instead, the Board seeks to help lessees with a temporary and targeted practical expedient without disproportionately reducing either the usefulness of the information for decision-making or the informative value of the financial statements. In our opinion, the amendments to IFRS 16, issued in May 2020, have been largely successful, notwithstanding the fact that we would have liked to see some relief for lessors, too.

The IDW had generally welcomed the amendments to IFRS 16 last year (we refer to our comment letter, dated 8 May 2020), and we agree that there is a continuing need to provide relief for lessees, given the ongoing challenges that they face in assessing whether lease modifications have occurred under the circumstances of the covid-19 pandemic. Therefore, the IDW supports the IASB's proposal to extend the availability of the practical expedient in paragraph 46A of IFRS 16 so that it applies henceforward 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 for applying the practical expedient are met.

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We believe that the extension of the timeframe by a further 12 months might be sufficient to achieve the IASB's objectives of providing relief to lessees when most needed, providing certainty to all stakeholders about the period over which practical relief would be available, and avoiding another fast-tracked standard-setting amendment in approximately a year's time, assuming the covid-19 pandemic can hopefully be brought under control soon.

The IDW also agrees with the proposed effective date.

However, regarding the transition requirements in paragraph C20BA of the ED, we suggest the Board also allow lessees to apply the amendment in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* retrospectively to each prior reporting period presented. We believe this would allow lessees to more fully present the impact of applying the practical expedient to rent concessions when the benefits are believed to exceed the costs of so doing. This option would provide users with comparable results across those financial periods impacted by covid-19-related eligible rent concessions.

Furthermore, we are of the opinion that – contrary to what is stated in paragraph 8 of the Basis for Conclusions in the ED – lessees who have previously elected not to apply the practical expedient in paragraph 46A of IFRS 16 to eligible rent concessions should also be permitted to reverse such decision and apply the amended practical expedient. In such cases, the practical expedient must of course also be applied retrospectively. However, we see no reason to deny lessees the flexibility to decide when to use the option under the current circumstances. This would be particularly important for those lessees who had been granted only a very limited number of eligible rent concessions, and thus had chosen not to apply the practical expedient, but then, as the pandemic continues, receive a large number of eligible rent concessions subsequently.

Finally, we would ask the Board to finalise and publish the planned amendment to IFRS 16 as soon as possible, since time will also be needed for endorsement in the EU, before for EU preparers can avail themselves of this much needed practical expedient.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely

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