

# ASC

ACCOUNTING STANDARDS COUNCIL  
SINGAPORE

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Mr Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

*(By online submission)*

Dear Hans

## **RESPONSE TO EXPOSURE DRAFT ON COVID-19-RELATED RENT CONCESSIONS (PROPOSED AMENDMENT TO IFRS 16)**

The Singapore Accounting Standards Council appreciates the opportunity to comment on the Exposure Draft on *Covid-19-Related Rent Concessions* (Proposed amendment to IFRS 16) (the ED) issued by the International Accounting Standards Board (the IASB) in April 2020.

We commend the IASB's efforts in supporting stakeholders in the application of IFRS Standards during the covid-19 pandemic. We are generally supportive of the proposed amendment to provide lessees with timely practical relief in response to widespread difficulties in applying particular requirements of IFRS 16 *Leases*, without resulting in a significant loss of useful information.

Nevertheless, we suggest that the IASB considers addressing the following matters:

Proposed condition: Any reduction in lease payments affects only payments originally due in 2020

The covid-19 pandemic is affecting different jurisdictions around the world at different time and pace. Limiting the proposed practical expedient to rent concessions that reduce only lease payments due in 2020 would disadvantage lessees in jurisdictions that are hit by the pandemic later in the year and beyond 2020, or for a longer period extending beyond 2020.

Therefore, the IASB should consider extending the proposed practical expedient to covid-19-related rent concessions granted in 2020. In doing so, lessees are not prevented from applying the practical expedient to rent concessions granted in 2020 that reduce lease payments due in 2020 and beyond. On the whole, the expanded scope would avoid disadvantaging lessees that could be facing similar practical challenges later or longer than other lessees, without significantly increasing the risk of the practical expedient being applied too broadly.

Should the IASB decide to retain the condition, the IASB should consider reviewing the 2020 timeframe, if subsequent changes in the circumstances surrounding the pandemic warrant an extension to rent concessions that also reduce lease payments due after 2020.

#### Accounting by lessees applying the practical expedient

IFRS 16 does not contain specific accounting requirements for the following changes in lease payments that are not lease modifications: (i) a change in lease payments that do not depend on an index or a rate but are included in the measurement of the lease liability; and (ii) a change in the timing of lease payments but not the amount of consideration for the lease (that is, there is no compensation for any differences in the time value of money).

Therefore, it is not obvious from IFRS 16 that a lessee is required to account for forgiveness or waiver of lease payments as variable lease payments not included in the measurement of the lease liability. It is also unclear whether and when a lessee should adjust the lease liability for any differences in the time value of money arising from a change in the timing of lease payments.

To avoid potential practice diversity, the IASB could consider providing clarification on the accounting for such changes in lease payments through amendments to the requirements, rather than through explanations in the Basis for Conclusions.

#### Changes in the lease term resulting from rent concessions within the scope of the practical expedient

According to paragraph BC5(c) of the Basis for Conclusions on the ED, the IASB does not intend for the scope of the proposed practical expedient to preclude rent concessions that involve a rent holiday followed by additional months of substantially equivalent payments at the end of the lease.

Lessees that elect to apply the proposed practical expedient to such rent concessions may face practical challenges in accounting for a potentially large volume of such rent concessions as a change in the lease term.

To alleviate potential challenges, the IASB could consider providing a relief for lessees to account for such rent concessions as variable lease payments not included in the measurement of the lease liability instead.

#### Practical expedient for lessor accounting

We received feedback from our stakeholders that some lessors would face the same practical challenges as lessees in assessing a large volume of lease contracts with differing terms, and therefore, would benefit from the proposed practical expedient. Should a lessor account for rent concessions as if they are not lease modifications, the lessor would recognise the effects of rent concessions in the period in which the event or condition that triggers the payments occurs.

On the whole, the IASB should reconsider extending the proposed practical expedient to lessor accounting, which would provide a welcome relief to lessors without a significant loss of useful information.

Other comments

Paragraph BC5(a) of the Basis for Conclusions on the ED implies that a change in lease payments that results in more than an insubstantial increase in total payments for the lease would not prevent the rent concession from being within the scope of the proposed practical expedient, if that increase reflects the time value of money.

To improve clarity, the IASB could consider providing this guidance in the final amendment, rather than through an explanation in the Basis for Conclusions.

We hope that our comments will contribute to the IASB's deliberation on the ED. Should you require any further clarification, please contact our project manager Nicole Cai at [nicole\\_cai@asc.gov.sg](mailto:nicole_cai@asc.gov.sg).

Yours faithfully

Suat Cheng Goh  
Technical Director  
Singapore Accounting Standards Council