



International Accounting Standards Board  
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Stockholm 7 May 2020

United Kingdom

## **Exposure Draft ED/2020/2 Covid-19-Related Rent Concessions**

FAR, the Institute for the Accountancy Profession in Sweden, is responding to your invitation to comment on the above Exposure Draft.

A large population of listed companies will issue half-year reports as of June 30, 2020, while others might prepare annual financial statements as of June 30, 2020. In order to enable lessees listed in the EU to apply this important relief in their financial reports, the amendment needs to be endorsed by the EU by the date these financial statements are authorised for issue. As a result, FAR encourages the IASB to do everything in its power to issue a final amendment by the end of May 2020. The EU endorsement process involves a number of different parties assessing the amendments by the IASB, such as EFRAG, ARC, the European Parliament, the Council of the European Union and the EU Commission, and this process is usually time consuming. If the amendment from the IASB is not published by the end of May, FAR fears that the stated objective of the IASB proposal – to provide lessees with practical relief during the covid-19 pandemic – is not going to be effective, and the lessees will have to go through the time consuming process of evaluating all rent concessions in order to determine whether those concessions are lease modifications or not.

Lessees may have significant difficulty assessing whether a large volume of covid-19-related rent concessions are lease modifications or not. The required accounting for such changes involves the application of judgement and depends on a number of factors, including whether those changes were part of the original terms and conditions of the lease. An entity applies paragraph 2 of IFRS 16 and considers both the terms and conditions of the contract and all relevant facts and circumstances. Relevant facts and circumstances may include contract, statutory or other law or regulation applicable to the lease contracts. Changes in lease payments that result from clauses in the original contract or in applicable law or regulation are part of the original terms and conditions of the lease, even if the effect of those clauses was not previously contemplated.



This evaluation of a potential large volume of lease contracts will get significantly more complex if lessees have operations in many countries as the evaluation in such case will include interpretation of applicable laws and regulations in many jurisdictions. Even within a country, the lease contracts might involve unique clauses which necessitates an individual evaluation of every single lease contract entered into.

Due to this complexity, FAR supports the proposal from the IASB that a lessee may elect not to assess whether a covid-19-related rent concession is a lease modification. FAR agrees that this practical expedient would provide lessees with practical relief while enabling them to continue providing useful information about their leases to users of financial statements.

Paragraph 46A of the draft amendment to IFRS 16 proposes that a lessee that elects to use the practical expedient would account for any change in lease payments resulting from the covid-19-related rent concession in the same way it would account for the change if the change were not a lease modification. This guidance is quite difficult to apply in practice without considering the language included in paragraph BC7 in the Basis for Conclusions. The standard itself does not point in a specific direction how to account for changes that are not a lease modification. For example, paragraph 36c of IFRS 16 prescribes the subsequent measurement of lease liabilities, and states that after the commencement date, a lessee shall measure the lease liability by remeasuring the carrying amount to reflect any reassessment or lease modifications specified in paragraphs 39-46. The Agenda Paper (AP32B) that was discussed at the Board meeting on 17 April included practical guidance in accounting for changes in lease payments applying the exemption (see paragraphs 32-35 and Table 1 of AP32B). FAR suggests that the IASB considers including illustrative examples like the ones included in Table 1 of Agenda Paper AP32B as part of the amendment or to include within the standard language from paragraph BC7 to increase the clarity and usefulness of the amendment. If the IASB does not consider this to be possible in order to publish the amendment by the end of May, FAR accepts that guidance can only be found in paragraph BC7 of the Basis for Conclusions.

Yours sincerely,

FAR

A handwritten signature in blue ink, appearing to read 'Pernilla'.

Pernilla Lundqvist  
Chairman Accounting Practices Committee