



Tel: +44 20 7893 3300
Fax: +44 20 7487 3686
@: abuchanan@bdoifra.com
www.bdointernational.com

BDO IFR Advisory Limited
Contact: Andrew Buchanan
55 Baker Street
London W1U 7EU
United Kingdom

International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

25 February 2021

Dear Sir

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

We are pleased to comment on the above Exposure Draft (the ED). Following consultation with the BDO network¹, this letter summarises views of member firms that provided comments on the ED.

We strongly support the amendments proposed by the IASB for the reasons set out in the Basis for Conclusions. The amendments provide significant additional and necessary operational relief to lessees and increase the usefulness of the amendments originally issued in May 2020.

Our responses to the questions in the ED are set out in the attached Appendix.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)7875 311782 or by email at abuchanan@bdoifra.com.

Yours faithfully

Andrew Buchanan

Global Head of IFRS and Corporate Reporting

¹

Service provision within the BDO network in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium. Each of BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

BDO is the brand name for the BDO network and for each of the BDO member firms.
BDO IFR Advisory Limited is a UK company limited by guarantee, registered in England under No 7295966.
Registered office: c/o Hackwood Secretaries Limited, One Silk Street, London, EC2Y 8HQ
© 2021 BDO IFR Advisory Limited. All rights reserved.

Appendix

Question 1 - The Board proposes to amend paragraph 46B(b) of IFRS 16 to extend the availability of the practical expedient in paragraph 46A so that it applies 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 are met. Do you agree with this proposal? Why or why not?

We agree with the proposal as it enables a wider range of covid-19 related rent concessions to be accounted for consistently. We agree that entities are entering into new rent concessions that affect payments originally due beyond 30 June 2021, with the economic effects of the pandemic continuing to be experienced by many entities.

We also believe that the Board needs to consider extending the date proposed in the amendment further, perhaps to 30 June 2023. This is because while many jurisdictions in the world will vaccinate significant portions of their population in 2021, this will not be the case in many jurisdictions in the developing world.

Additionally, we believe that most material rent concessions that will occur in the next two to three years will occur because of the pandemic, even if those concessions are granted due to more medium-term effects. Examples include reductions in turnover enduring beyond the peak of pandemic in certain industries due to reluctance of groups to return to pre-pandemic behaviour or due to certain jurisdictions not vaccinating a significant portion of their population until well into 2022.

As the Board has indicated that a further extension of the practical expedient is unlikely, we believe the Board should consider this further extension of the criterion to apply the practical expedient in order that the risk of needing to revisit the practical expedient is minimised.

Question 2 - Paragraphs C1C, C20BA and C20BB of the draft amendment to IFRS 16 propose that a lessee applying the practical expedient in paragraph 46A would:

- (a) apply the amendment for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not yet authorised for issue at the date the amendment is issued;*
- (b) apply the amendment retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and*
- (c) not be required to disclose the information required by paragraph 28(f) of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in the reporting period in which the lessee first applies the amendment. Do you agree with this proposal? Why or why not?*

We agree with this proposal. We believe that permitting entities to apply the amendments as soon as they are issued will be useful for entities that are significantly impacted by covid-19 related rent concessions and will reduce the number of entities that will have to retrospectively account for rent concessions in future financial reporting periods.

Based on our informal outreach, we believe it will be rare that entities will have significant rent concessions, that will not meet the criteria to apply the practical expedient prior to these amendments being made, which would require restatement in their next financial statements.