



IFRS Foundation  
IASB  
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Canary Wharf  
London E14 4HD  
United Kingdom

6 May 2020

Dear Board Member,

## **ED/2020/2 Covid-19-Related Rent Concessions, Proposed amendment to IFRS 16**

BusinessEurope understands that the IASB in the ED proposes to amend IFRS 16 to permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Entities applying the practical expedient would account for those rent concessions as if they were not lease modifications. The ED proposes no change for lessors.

The amendment would have to be applied retrospectively but comparative figures would not be restated. A lessee would recognise any difference arising on initial application of the amendment in opening retained earnings (or other component of equity, as appropriate) in the annual reporting period that includes the date of initial application. Earlier application is permitted.

BusinessEurope supports the proposed amendment. We believe the proposed practical expedient will significantly ease the burden on entities by not requiring those having to assess if potentially large volumes of covid-19-related concessions are lease modifications according to IFRS 16.

However, we consider that the amendment may be too narrow in scope as it is only proposed to be applicable to reductions of lease payments originally due in 2020. BusinessEurope believes that all rent concessions that are negotiated as a direct consequence of covid-19 should be included.

BusinessEurope supports the proposed effective dates and transition requirements.

BusinessEurope notes the reasons provided by the IASB for not granting the exemption to lessors. In addition to other challenges encountered during the pandemic however, the need to assess for and apply lease modification accounting, specifically the need to



classify the modified lease contracts as finance or operating lease adds significant complexity for the lessor, given the potential volume of contracts to review.

Therefore, granting the practical expedient also to lessors would be recommendable.

We would like to stress the importance of the issuance of the amendment as soon as possible so that the companies can apply it in their 30 June 2020 reporting (also considering the time needed for EU to endorse the amendment).

If you require any further information on this matter, please do not hesitate to contact us.

Yours sincerely,

Erik Berggren  
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Legal Affairs Department