

Mr. Jean-Paul Gauzès
President of the EFRAG
Board
EFRAG
Square de Meeûs 35
B-1000 Brussels
Belgium

Lisbon, 4 May 2020

Subject: Covid-19-Related Rent Concessions – IASB ED 2020/02

Dear Mr. Gauzès,

The Portuguese Accounting Standard Setter (Comissão de Normalização Contabilística - CNC) is pleased to share with you our answer to the IASB's ED concerning the amendment to IFRS 16 related with Covid-19.

CNC supports the proposal in IASB's ED as it provides a practical expedient to lessees during the Covid-19 pandemic. However, we would like to point out that a similar practical expedient should be addressed by IASB for **lessors** as they are also expected to face important accounting challenges in accounting for covid-19 rent concessions.

Concerning the exercise of the option, CNC believes that IASB should clarify if the **option is made in a contract basis or overall** concerning all lease contracts of the entity.

Question 1—Practical expedient (paragraphs 46A and 46B of the [Draft] amendment to IFRS 16)

Do you agree 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? Why or why not? If you disagree with the proposal, please explain what you propose and why.

CNC believes that the practical expedient would provide practical relief while enabling to continue providing useful information as the Covid-19 rent concessions are expected to be limited to a short period of time and easily identifiable. We believe that the practical expedient defined by IASB is consistent with the necessity of simplification within this period and the need to provide useful information for the users of the financial statements.

Notwithstanding we believe that the proposed scope (rent concessions affecting payments originally due in 2020) might **need to be extended** due to a possible second outbreak of the virus. We propose that all rent concessions agreed in 2020 due to Covid-19, payable during 2020 or after, should be on the scope of the amendment.

Question 2—Effective date and transition (paragraphs C1A and C20A of the [Draft] amendment to IFRS 16)

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you propose and why.

CNC does not support the proposed effective date of the amendment. In Portugal, the Tax Authorities may not consider for tax purposes the accounting treatment resulting from an early adoption of an amendment to an existing IFRS. Many listed firms use IFRS in their separate financial statements, meaning that they assess their corporate income tax from IFRS financial statements. This means that for tax purposes the proposed amendment could not be relevant for 2020 annual reporting period, which may cause unnecessary tax litigation.

CNC suggests that the amendment should be effective to all periods ending after 30 june 2020.

Please do not hesitate to contact us (secretariado@cnc.min-financas.pt) for any additional questions.

Sincerely,

CNC Vice-President

(Lúcia Lima Rodrigues)