



International Accounting Standards  
Board (IASB)  
30 Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

25 February 2021

Dear Board Member,

**Re: ED/2021/2 Covid-19-related Rent Concessions beyond 30 June 2021  
Proposed amendment to IFRS 16**

BUSINESSEUROPE commends the IASB for its listening to the requests from preparers and the rapidity with which it is dealing with this subject. We welcome the proposals in the Exposure Draft “ED/2021/2 Covid-19-related Rent Concessions beyond 30 June 2021 Proposed amendment to IFRS 16” (the ED).

The practical expedient provided by paragraph 46A of the Covid-19-related amendments, which allows lessees as an accounting policy option not to assess whether eligible Covid-19 related rent concessions are lease modifications, and to account for them as if they were not lease modifications, has provided welcome relief for a number of preparers. In view of the continued disruption caused by the Covid-19 pandemic the relief provided by this amendment remains pertinent. We therefore agree with the proposal to extend the availability of this practical expedient to a reduction in lease payments originally due on or before 30 June 2022.

We also think that that the transitional requirements are appropriate.

We note the specific points made in paragraphs BC8 and BC9 which state that:

- a) A lessee which has already applied the practical expedient of existing paragraph 46A must also apply the extended scope of the expedient defined in the ED;
- b) A lessee which previously elected not to apply the practical expedient to rent concessions cannot now elect to apply the practical expedient as a result of these proposals; and
- c) A lessee which has not yet established an accounting policy election on applying or not applying the expedient may still make the election, and if it does so will have to apply it retrospectively in accordance with the proposed transitional requirements.



While we agree with points a) and c) above, we think that point b) is inequitable and may be subject to diverse interpretations. Lessees may not have chosen the option allowed by existing paragraph 46A for different reasons, such as, for example, no rent concessions had been granted previously, only concessions of an immaterial effect had been granted, or the concessions granted did not qualify at the time because the reduction in lease payments went beyond the 30 June 2021 deadline. In all these cases, no accounting policy election would have been needed, but entities might have variously disclosed their circumstances as “elected not to apply”, “not elected to apply” or “had no contracts entering into the scope...” On the basis of the current proposals, the first form of words would probably preclude the entity from now making the election, but the second two forms would be the equivalent of not having established an accounting policy. Circumstances might now have changed, and material rent concessions might have been granted. We think that it would be clearer, fairer and more consistent with the intention of this relief if the election remained available to all entities which had not elected to apply it previously.

Finally, we wonder whether it might not be more helpful to incorporate this guidance in the body of the amended standard, in the “Transition” section, for example.

If you require any further explanation of the above, please do not hesitate to contact us.

Yours sincerely,

Erik Berggren  
Senior Adviser