

February 25, 2021

Submitted electronically via www.ifrs.org

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Sirs,

Re: COVID-19-Related Rent Concessions Beyond June 30, 2021 – Proposed amendment to IFRS 16 (ED/2021/2)

This letter is the response of the [Canadian Accounting Standards Board](http://www.frascanada.ca) (AcSB) to the International Accounting Standards Board's (IASB) Exposure Draft, "Covid-19-Related Rent Concessions beyond June 30, 2021 (Proposed amendment to IFRS 16)" issued in February 2021.

Our process

As part of our due process for these proposals, we consulted with our Advisory Committees and considered the results of those discussions when developing this letter.

Our view

We commend the IASB for being responsive to the ongoing issues lessees are experiencing as a result of the continuing COVID-19 pandemic and for acknowledging the need to provide additional relief to lessees. We continue to strongly support the IASB in its efforts to identify and address standards implementation issues.

Overall, we agree with the proposed amendment to extend the scope of the practical expedient given the ongoing effects of the COVID-19 pandemic and the likelihood that lessors will grant rent concessions past June 30, 2021. We understand the importance of limiting the relief to only rent concessions related to the COVID-19 pandemic and the objective of selecting a timeframe that captures the majority of COVID-19-related rent concessions to avoid further amendments. However, in establishing this timeframe we suggest that the IASB take into consideration the uncertainty of the continued impact of this pandemic

globally and the fact that different jurisdictions are experiencing the severity of the pandemic at different times.

We also recommend that the IASB consider the interaction between the date selected for the scope of the practical expedient and the transition provisions. With the proposed transition provisions, extending the date may result in rent concessions that now qualify to use the relief when previously they did not. This may require a lessee to undo lease modification accounting for those concessions if the lessee had previously elected to use the relief for its other concessions that did qualify to use the expedient. We think that undoing lease modification accounting could be onerous for some lessees.

We suggest that since the objective of the proposals is to provide relief for lessees, the transition provisions provide greater flexibility. For example, it should not prohibit lessees from applying the relief even if they previously chose not to. It should also not require lessees to undo lease modification accounting for those concessions that now qualify only because of the scope extension.

Our responses to your questions

The [Appendix](#) to this letter responds to the questions posed in the Exposure Draft and expands on the points raised above.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact myself, Kelly Khalilieh, Director, Accounting Standards (+1 416 204 3453 or email kkhalilieh@acsbcanada.ca) or Grace Flis, Principal, Accounting Standards (+1 416-204-3478 or email gflis@acsbcanada.ca)

. Yours truly,



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About the Canadian Accounting Standards Board

We are an independent body with the legal authority to establish accounting standards for use by all Canadian publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans in the private sector. We are comprised of a full-time Chair and volunteer members from a variety of backgrounds, including financial statement users, preparers, auditors and academics; a full-time staff complement supports our work.

Our standards

We have adopted IFRS[®] Standards as issued by the IASB for publicly accountable enterprises. Canadian securities legislation permits the use of U.S. GAAP in place of IFRS Standards in certain circumstances. We support a shared goal among global

standard setters of high-quality accounting standards that result in comparable financial reporting outcomes regardless of the GAAP framework applied.

We developed separate sets of accounting standards for private enterprises, not-for-profit organizations and pension plans. Pension plans are required to use the applicable set of standards. Private enterprises and not-for-profit organizations can elect to apply either the set of standards developed for them, or IFRS Standards as applied by publicly accountable enterprises.

Our role vis-à-vis IFRS Standards

Our responsibility to establish Canadian GAAP necessitates an endorsement process for IFRS Standards. We evaluate and rely on the integrity of the IASB's due process as a whole, and monitor its application in practice. In addition, we perform our own due process activities for each new or amended IFRS Standard to ensure that the standard is appropriate for application in Canada. We reach out to Canadians on the IASB's proposals to understand and consider their views before deciding whether to endorse a final IFRS Standard. A final standard is available for use in Canada only after we have endorsed it as Canadian GAAP.

APPENDIX

Question 1—Extended scope of the practical expedient (paragraph 46B(b) of the [Draft] amendment to IFRS 16)

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?

1. We agree that the scope of the practical expedient should be extended given the ongoing effects of the COVID-19 pandemic and the likelihood that lessors will grant COVID-19 related rent concessions beyond June 30, 2021.
2. However, in establishing an appropriate timeframe for the extension we suggest that the IASB take into consideration the uncertainty of the continuing impact of this pandemic globally and the fact that different jurisdictions are experiencing the severity of the pandemic at different times. We also recommend that the IASB consider the interaction between the date selected for the scope of the practical expedient and the transition provisions. With the proposed transition provisions, extending the date may result in rent concessions that now qualify to use the relief when previously they did not. This may require a lessee to undo lease modification accounting for those concessions if the lessee had previously elected to use the relief for its other concessions that did qualify to use the expedient. We think that undoing lease modification accounting could be onerous for some lessees and, therefore, have suggested providing greater flexibility in the transition provisions, as discussed in question 2 below.

Question 2—Effective date and transition (paragraphs C1C, C20BA and C20BB of the [Draft] amendment to IFRS 16)

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 in the reporting period in which the lessee first applies the amendment.

Do you agree with this proposal? Why or why not?

3. We agree with the proposed effective date and agree that earlier application be permitted. Applying the amendment for annual reporting periods beginning on or after April 1, 2021 enables, rather than

requires, immediate application. This provides lessees time to implement the proposal if needed or apply the relief as soon as the amendment is issued to address the ongoing challenges in accounting for COVID-19-related rent concessions.

4. We agree with retrospective application of the amendment as it allows lessees that have not yet issued their annual or interim financial statements but have received COVID-19-related rent concessions that extend beyond June 30, 2021, to account for those rent concessions consistently with those granted prior to June 30, 2021. We also think that lessees should be permitted to recognize the cumulative effect of the amendment as an adjustment to opening retained earnings as the cost of restating comparative information may exceed the benefits. However, we think that lessees should also be permitted to retrospectively restate their comparative financial statements if this would provide more useful information.
5. Paragraph BC8 explains that the proposed amendment is only meant to amend the date within the condition in paragraph 46(B)(b). Paragraph BC8 also explains that a lessee that has already applied the practical expedient in paragraph 46A must also apply the proposed extended scope, and that a lessee is not allowed to elect to apply the practical expedient if the lessee previously elected not to apply it to eligible rent concessions. Since the objective of the proposal is to provide relief for lessees, we think the transition provisions should be less punitive and provide greater flexibility. We think it should not prohibit lessees from applying the relief even if they previously chose not to and should not require lessees to undo lease modification accounting for those concessions that now qualify only because of the scope extension. We also suggest that any guidance, such as that included in paragraph BC8, be included in the Standard to clarify when a lessee is permitted to apply the proposal.
6. We also agree that lessees applying the proposed amendment should not be required to disclose the information required by paragraph 28(f) of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. This disclosure was not required previously when lessees applied the 2020 amendment, and we have no evidence to suggest anything has changed that would warrant needing this additional disclosure.