

Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions

[AASB 16]



Australian Government

**Australian Accounting
Standards Board**

Obtaining a copy of this Accounting Standard

This Standard is available on the AASB website: www.aasb.gov.au.

Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007
AUSTRALIA

Phone: (03) 9617 7600
E-mail: standard@aaasb.gov.au
Website: www.aasb.gov.au

Other enquiries

Phone: (03) 9617 7600
E-mail: standard@aaasb.gov.au

COPYRIGHT

© Commonwealth of Australia 2020

This AASB Standard contains IFRS Foundation copyright material. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to The National Director, Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside Australia should be addressed to the IFRS Foundation at www.ifrs.org.

ISSN 1036-4803

Contents

PREFACE

ACCOUNTING STANDARD

AASB 2020-4 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – COVID-19-RELATED RENT CONCESSIONS

	<i>from page</i>
OBJECTIVE	5
APPLICATION	5
AMENDMENTS TO AASB 16	5
COMMENCEMENT OF THE LEGISLATIVE INSTRUMENT	6

AVAILABLE ON THE AASB WEBSITE

IASB Basis for Conclusions – Amendments

Australian Accounting Standard AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* is set out on pages 5 – 6. All the paragraphs have equal authority.

Preface

Standards amended by AASB 2020-4

This Standard makes amendments to AASB 16 *Leases* (February 2016).

These amendments arise from the issuance of International Financial Reporting Standard *Covid-19-Related Rent Concessions* (Amendment to IFRS 16) by the International Accounting Standards Board (IASB) in May 2020.

Main features of this Standard

Main requirements

This Standard amends AASB 16 to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

Application date

This Standard applies to annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at the date this Standard was issued.

Accounting Standard AASB 2020-4

The Australian Accounting Standards Board makes Accounting Standard AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* under section 334 of the *Corporations Act 2001*.

Dated 15 June 2020

Keith Kendall
Chair – AASB

Accounting Standard AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*

Objective

This Standard amends AASB 16 *Leases* (February 2016) as a consequence of the issuance of International Financial Reporting Standard *Covid-19-Related Rent Concessions* (Amendment to IFRS 16) by the International Accounting Standards Board in May 2020.

Application

The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 16 set out in AASB 1057 *Application of Australian Accounting Standards*.

This Standard applies to annual periods beginning on or after 1 June 2020. This Standard may be applied to annual periods beginning before 1 June 2020.

Amendments to AASB 16

Paragraphs 46A, 46B, 60A, C1A, C20A and C20B are added. A new heading is added before paragraph C20A. For ease of reading these paragraphs have not been underlined as new text. Ellipses (...) are used to help provide the context within which amendments are made.

Lessee

...

Measurement

...

Subsequent measurement

...

Lease modifications

...

46A As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

- 46B The practical expedient in paragraph 46A applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:
- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
 - (c) there is no substantive change to other terms and conditions of the lease.

Disclosure

- 60A If a lessee applies the practical expedient in paragraph 46A, the lessee shall disclose:
- (a) that it has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient (see paragraph 2); and
 - (b) the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient in paragraph 46A.

Appendix C Effective date and transition

Effective date

- C1A AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*, issued in June 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at the date AASB 2020-4 was issued.

Transition

Covid-19-related rent concessions for lessees

- C20A A lessee shall apply AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* (see paragraph C1A) retrospectively, recognising the cumulative effect of initially applying that 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.
- C20B In the reporting period in which a lessee first applies AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*, a lessee is not required to disclose the information required by paragraph 28(f) of AASB 108.

Commencement of the legislative instrument

For legal purposes, this legislative instrument commences on the day this instrument is made by the Australian Accounting Standards Board.