

Public Late Papers for NZASB meeting, 14 April 2021

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B: PUBLIC SESSION		
10A	Covid-19-Related Rent Concessions beyond 30 June 2021	
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Board Meeting Agenda

Wednesday 14 April 2021, virtual meeting

Est Time	Item	Topic	Objective		Page
A: NON-PUBLIC SESSION					
B: PUBLIC SESSION					
PBE Items for Consideration					
10.45 am	4	IPSASB Leases	(JC/VSF)		
	4.1	Cover memo	Consider	Paper	4
	4.2	Draft comment letter ED 75	Consider	Paper	11
	4.3	Update on RFI	Consider	Verbal	
	4.4	IPSASB ED 75	Consider	Link to XRB website	
	4.5	IPSASB Request for Information	Consider	Link	
11.35 am	<i>Meeting break</i>				
11.40 am	5	Public Sector Insurance	(AT/VSF)		
	5.1	Cover memo	Note	Paper	19
	5.2	Memo – Scope	Consider	Paper	22
	5.3	Memo – Risk margins	Consider	Paper	53
12.30 pm	<i>Lunch break</i>				
1.00 pm	6	IPSASB Measurement Projects	(GS/JS/JP/TC)		
	6.1	Cover memo	Consider	Paper	73
	6.2	Education session	Note	Slides	114
	6.3	Outreach plan	Consider	Paper	128
	6.4	IPSASB EDs 76–79	–	Not available	
	6.5	IPSASB At a Glance Documents (for EDs 76–79)	–	Not available	
2.10 pm	<i>Meeting break</i>				
For-profit Items for consideration					
2.15 pm	7	Business Combinations under Common Control	(GS)		
	7.1	Cover memo	Consider	Paper	131
	7.2	IASB DP/2020/2 <i>Business Combinations under Common Control</i>	Consider	Link to XRB website	
	7.3	Snapshot IASB DP/2020/2	Consider	Link	

Est Time	Item	Topic	Objective		Page
3.00 pm	8	Disclosure Initiative: Targeted Standards-level Review of Disclosures	(JS)		
	8.1	Cover memo	Consider	Paper	148
	8.2	IASB ED/2021/3 <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i>	Consider	Link to XRB website	
	8.3	IASB ED/2021/3 Basis for Conclusions	Consider	Link	
	8.4	Snapshot IASB ED/2021/3	Consider	Link	
3.15 pm	<i>Afternoon tea break</i>				
3.30 pm	9	IASB Agenda Consultation	(TC/JP)		
	9.1	Cover memo	Consider	Paper	155
	9.2	Draft comment letter	Consider	Paper	166
	9.3	RFI – <i>Third Agenda Consultation</i>	Consider	Link to IFRS Foundation website	
	9.4	NZASB comment letter on the <i>2015 Agenda Consultation</i>	Note	Paper	
	9.5	NZASB comment letter on the <i>2011 Agenda Consultation</i>	Note	Paper	
4.10pm	10	IFRS Interpretations Committee Update			
	10.1	February 2021 meeting update	Consider	Paper	236
	10.2	March 2021 meeting update	Consider	Paper	245
For-profit Item for Approval					
4.25 pm	10A	Covid-19-Related Rent Concessions beyond 30 June 2021	(JC)		
	10A.1	Cover memo <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>	Consider	Late paper	
	10A.2	Draft amending standard <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>	Approve	Late paper	
	10A.3	Signing memorandum <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>	Approve	Late paper	
Standards Approved					
4.30 pm	11	Standards Approved	(LK/VSF)		
	11.1	Approval 131 <i>Disclosure of Accounting Policies</i>	Note	Paper	250
	11.1.1	Cover memo <i>Disclosure of Accounting Policies</i>	Note	Paper	251
	11.1.2	Amending standard <i>Disclosure of Accounting Policies</i>	Note	Paper	257
	11.1.3	Signing memorandum <i>Disclosure of Accounting Policies</i>	Note	Paper	268

Est Time	Item	Topic	Objective		Page
	11.2	Approval 132 <i>Definition of Accounting Estimates</i>	Note	Paper	272
	11.2.1	Cover memo <i>Definition of Accounting Estimates</i>	Note	Paper	273
	11.2.2	Amending standard <i>Definition of Accounting Estimates</i>	Note	Paper	278
	11.2.3	Signing memorandum <i>Definition of Accounting Estimates</i>	Note	Paper	286
	11.2.4	Application of the PBE Policy Approach to <i>Definition of Accounting Estimates</i>	Note	Paper	289
C: NON-PUBLIC SESSION					
4.55 pm		<i>Finish</i>			

Next NZASB meeting: Wednesday 13 May 2021



NZ ACCOUNTING
STANDARDS
BOARD

Memorandum

Date: 9 April 2021

To: NZASB Members

From: Jamie Cattell

Subject: *Covid-19-Related Rent Concessions beyond 30 June 2021*

Recommendations¹

1. We recommend that the Board:
 - (a) APPROVES for issue *Covid-19-Related Rent Concessions beyond 30 June 2021*, which amends NZ IFRS 16 *Leases* (NZ IFRS 16);
 - (b) APPROVES the signing memorandum from the Chair of the NZASB to the Chair of the XRB Board requesting approval to issue the Standard; and
 - (c) AGREES that no equivalent amendment is needed to PBE Standards.

Introduction

2. The amendments extend the availability of the practical expedient provided to lessees applying NZ IFRS 16 during the covid-19 pandemic.

Background

3. The IASB issued *Covid-19-Related Rent Concessions* in May 2020. The NZASB approved *Covid-19-Related Rent Concessions* in June 2020. The purpose of the 2020 amendments was to give lessees relief (via a practical expedient) so that they did not have to assess whether a covid-19-related rent concession was a lease modification. The practical expedient applied only to rent concessions occurring as a direct consequence of the pandemic and was subject to conditions. One of the conditions was that the affected payments had to be due before 30 June 2021.
4. The latest amendments change the cut-off date from 30 June 2021 to 30 June 2022. The IASB extended the availability of the practical expedient in response to stakeholder feedback about the ongoing severity of the pandemic and the continued need for the practical expedient. Please refer to the attached signing memorandum (under the heading 'Due process') for more details about the background to the amendments.

¹ This memo refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Standards, IFRIC® Interpretations and IASB® papers).

Date from which Covid-19-Related Rent Concessions beyond 30 June 2021 becomes effective

5. The NZASB is aware that entities have already received rent concessions to which these amendments may be applied. To accommodate those entities considering earlier adoption and achieve the intended effect of the amendments, the amending standard will need to take effect on the day of notice in the Gazette.
6. A financial reporting standard usually takes effect on the 28th day after the date of the Gazette notice. Section 27(2) permits the XRB to specify that the standard takes effect on the day of notice in the Gazette if:
 - (a) the Board is satisfied that it is desirable to allow this sub-section to apply, because bringing the standard into effect earlier is necessary or desirable in order for one or more reporting entities or the directors of those entities to comply with the financial reporting standards issued or adopted by an international organisation; and
 - (b) the Gazette notices states that section 27(2) applies; and
 - (c) the directors of the reporting entity elect in writing that this subsection should apply in respect of the financial reporting standard.
7. To ensure that entities are able to apply the provisions of this amending standard in a timely manner, the Certificate of Determination, the Approval Notice and the Gazette notice all state that the standard takes effect from the date of the Gazette notice.

Effective date

8. The amending standard will be applicable 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 22 April 2021.
9. We note that the effective date of 1 April is earlier than the date of issue. Section 28 permits the XRB to specify that an amendment is applicable to annual reporting periods which have commenced, provided that the specified annual reporting period does not end before the amendment takes effect.

Due process

10. The IASB issued Exposure Draft ED/2021/2 *Covid-19-Related Rent Concessions beyond 30 June 2021* (ED/2021/2) in February 2021. The NZASB commented on the ED and expressed its support for the IASB's prompt response to the significant and ongoing challenges arising from the pandemic. Following its consideration of comments from constituents, the IASB reviewed the due process steps that it had taken since the publication of ED/2021/2 and concluded that the applicable due process steps had been completed. This review of due process occurred at the IASB supplementary meeting in March 2021.²

² A summary of the IASB's March 2021 meeting is available at <https://www.ifrs.org/news-and-events/updates/iasb-updates/supplementary-iasb-update-march-2021-covid-19-related-rent-concessions/>

11. The due process followed by the NZASB complied with the due process requirements established by the XRB Board and, in our view, meets the requirements of section 22 of the Financial Reporting Act 2013.
12. In accordance with section 22(2) of the Financial Reporting Act 2013 we have considered whether the amending standard is likely to require the disclosure of personal information. In our view the amending standard does not include requirements that would result in the disclosure of personal information, and therefore no consultation with the Privacy Commissioner is required.

RDR concessions

13. The amending standard does not establish any new disclosure requirements. Accordingly, no consideration of RDR concessions in relation to this amending standard is required.

Draft amending standard and signing memorandum

14. Attached is a copy of *Covid-19-Related Rent Concessions beyond 30 June 2021*. A paragraph has been added to limit the application of the amending standard to Tier 1 and Tier 2 for-profit entities only.
15. Attached is a draft certificate signing memorandum from the Chair of the NZASB to the Chair of the XRB Board.

PBE Policy Approach

16. We have not applied the *Policy Approach to the Development of PBE Standards* (the PBE Policy Approach) to *Covid-19-Related Rent Concessions beyond 30 June 2021*. As there is currently no PBE Standard analogous to NZ IFRS 16 *Leases*, we do not consider any amendment to PBE Standards is required.

Questions for the Board

1. Does the Board APPROVE for issue *Covid-19-Related Rent Concessions beyond 30 June 2021*?
2. Does the Board APPROVE the signing memorandum from the Chair of the NZASB to the Chair of the XRB Board?
3. Does the Board AGREE that that no equivalent amendment is needed to PBE Standards?

Attachments

10A.2 Draft *Covid-19-Related Rent Concessions beyond 30 June 2021*

10A.3 Draft signing memorandum

COVID-19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021



NZ ACCOUNTING
STANDARDS
BOARD

Covid-19-Related Rent Concessions beyond 30 June 2021

Issued April 2021

This Standard was issued on 22 April 2021 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(2) of the Financial Reporting Act 2013 takes effect on 22 April 2021.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date set out in Part D.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Tier 1 and Tier 2 For-profit Accounting Standard is based on an amendment to IFRS 16 *Leases* issued by the International Accounting Standards Board. The amendment to NZ IFRS 16 extends the availability of the practical expedient which permits lessees to elect not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient account for those rent concessions as if they were not lease modifications.

COVID-19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021

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COVID-19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021

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COVID-19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021

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The following is available within New Zealand on the XRB website as additional material

**APPROVAL BY THE IASB OF *COVID-19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021*
ISSUED IN MARCH 2021**

AMENDMENT TO THE IASB BASIS FOR CONCLUSIONS ON IFRS 16 *LEASES*

IASB DISSENTING OPINION

Part A – Introduction

This Standard extends the availability of the practical expedient in NZ IFRS 16 which permits lessees to elect not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient account for those rent concessions as if they were not lease modifications. Tier 2 entities are required to comply with all the requirements in this Standard.

Part B – Scope

This Standard applies to Tier 1 and Tier 2 for-profit entities.

Part C – Amendment to NZ IFRS 16 Leases

Paragraph 46B is amended. New text is underlined and deleted text is struck through.
 Paragraphs C1C and C20BA–C20BC are added. For ease of reading these paragraphs have not been underlined.

Lessee

...

Measurement

...

Subsequent measurement

...

Lease modifications

...

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 ~~2022~~2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June ~~2022~~2021 and increased lease payments that extend beyond 30 June ~~2022~~2021); and
- (c) there is no substantive change to other terms and conditions of the lease.

...

Appendix C

Effective date and transition

Effective date

...

- C1C *Covid-19-Related Rent Concessions beyond 30 June 2021*, issued in April 2021, amended paragraph 46B and added paragraphs C20BA–C20BC. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 22 April 2021.

Transition

...

Covid-19-related rent concessions for lessees

- C20BA A lessee shall apply *Covid-19-Related Rent Concessions* beyond 30 June 2021 (see paragraph C1C) 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.
- C20BB In the reporting period in which a lessee first applies *Covid-19-Related Rent Concessions beyond 30 June 2021*, a lessee is not required to disclose the information required by paragraph 28(f) of NZ IAS 8.
- C20BC Applying paragraph 2 of this Standard, a lessee shall apply the practical expedient in paragraph 46A consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying *Covid-19-Related Rent Concessions* (see paragraph C1A) or *Covid-19-Related Rent Concessions beyond 30 June 2021* (see paragraph C1C).

Part D – Effective Date

This Standard shall be applied for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including financial statements not yet authorised for issue at 22 April 2021.



**NZ ACCOUNTING
STANDARDS
BOARD**

Memorandum

Date: 14 April 2021

To: Michele Embling, Chair External Reporting Board

From: Carolyn Cordery, Chair NZASB

Subject: ***Covid-19-Related Rent Concessions beyond 30 June 2021***

Introduction¹

1. In accordance with the protocols established by the XRB Board, the New Zealand Accounting Standards Board (NZASB) seeks your approval to issue *Covid-19-Related Rent Concessions beyond 30 June 2021* which amends NZ IFRS 16 *Leases*.
2. The amendments extend the availability of the practical expedient provided to lessees applying NZ IFRS 16 during the covid-19 pandemic by one year. The practical expedient allows a lessee to elect not to assess whether a covid-19-related rent concession is a lease modification.
3. The amendments will allow an entity to apply the practical expedient to covid-19-related rent concessions which reduce lease payments due on or before 30 June 2022.
4. All of the other conditions required to apply the practical expedient remain the same. The practical expedient applies only to rent concessions occurring as a direct result 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 the payments originally due on or before 30 June 2022; and
 - (c) there is no substantive change to other terms and conditions of the lease.

Date from which Covid-19-Related Rent Concessions beyond 30 June 2021 becomes effective

5. The NZASB is aware that entities have already received rent concessions to which these amendments may be applied. To accommodate those entities considering earlier adoption and achieve the intended effect of the amendments, the amending standard will need to take effect on the day of notice in the Gazette.

¹ This memo refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Standards, IFRIC® Interpretations and IASB® papers).

6. A financial reporting standard usually takes effect on the 28th day after the date of the Gazette notice. Section 27(2) permits the XRB to specify that the standard takes effect on the day of notice in the Gazette if:
 - (a) the Board is satisfied that it is desirable to allow this sub-section to apply, because bringing the standard into effect earlier is necessary or desirable in order for one or more reporting entities or the directors of those entities to comply with the financial reporting standards issued or adopted by an international organisation; and
 - (b) the Gazette notices states that section 27(2) applies; and
 - (c) the directors of the reporting entity elect in writing that this subsection should apply in respect of the financial reporting standard.
7. To ensure that entities are able to apply the provisions of this amending standard in a timely manner, the Certificate of Determination, the Approval Notice and the Gazette notice all state that the standard takes effect the date of the Gazette notice.

Effective date

8. The amending standard will be applicable 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 22 April 2021.
9. The NZASB notes that the effective date of 1 April is earlier than the date of issue. Section 28 permits the XRB to specify that an amendment is applicable to annual reporting periods which have commenced provided that the specified annual reporting period does not end before the amendment takes effect.

Due process

10. The IASB issued Exposure Draft ED/2021/2 *Covid-19-Related Rent Concessions beyond 30 June 2021* (ED/2021/2) in February 2021. At its February 2021 meeting, the NZASB agreed to comment on the ED to express its support for the IASB's prompt response to the significant and ongoing challenges arising from the pandemic.
11. The NZASB did not receive any comment letters from New Zealand constituents. However, the NZASB received a copy of the joint comment letter from CA ANZ and CPA Australia to the IASB; this letter also supported the proposed extension of the practical expedient.
12. The IASB received 50 comment letters from its world-wide constituents.
13. Almost all respondents expressed support for the proposal in the ED to extend the availability of the practical expedient. In particular, they noted that extending the availability of the practical expedient represented a pragmatic solution to the ongoing challenges faced by lessees and that the extension would be consistent with the IASB's original intention.
14. The few respondents who disagreed with the proposals did so because they would have preferred the IASB to consider a broader principles-based amendment which would apply to

other significant events (such as future pandemics, earthquakes, tsunamis, and wildfires). No concerns were raised specific to the proposed amendments.

15. Most respondents agreed with the proposal to extend availability of the practical expedient by one year to 30 June 2022. Some respondents asked the IASB to extend the availability beyond 30 June 2022 or to remove the time frame entirely.
16. Almost all respondents agreed with the proposed effective date and many respondents agreed with the proposed transition requirements. Those that disagreed with the transition requirements requested an additional option to apply the practical expedient, regardless of whether entities had previously applied the practical expedient.
17. While the IASB did not accept the recommendations made by respondents, it agreed to add an additional explanatory paragraph in relation to the transition requirements. The additional explanatory paragraph states that lessees who elect to apply the practical expedient must do so for all eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible as a result of applying the original amendment or the current amendment.
18. Following its consideration of comments from constituents, the IASB reviewed the due process steps that it had taken since the publication of ED/2021/2 and concluded that the applicable due process steps had been completed. This review of due process occurred at the IASB supplementary meeting in March 2021.²
19. The IASB issued *Covid-19-Related Rent Concessions* on 31 March 2021, applicable for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not yet authorised for issue at 31 March 2021.
20. The NZASB has approved *Covid-19-Related Rent Concessions beyond 30 June 2021*. The due process followed by the NZASB complied with the due process requirements established by the XRB Board and, in the NZASB's view, meets the requirements of section 22 of the Financial Reporting Act 2013.
21. In accordance with section 22(2) of the Financial Reporting Act 2013 the NZASB has considered whether the amending standard is likely to require the disclosure of personal information. In the NZASB's view the amending standard does not include requirements that would result in the disclosure of personal information and therefore no consultation with the Privacy Commissioner is required.

Consistency with XRB Financial Reporting Strategy

22. The amending standard is a standard in its own right. *Covid-19-Related Rent Concessions beyond 30 June 2021* is identical to the IASB standard *Covid-19-Related Rent Concessions beyond 30 June 2021*, except for the New Zealand specific introduction and a scope paragraph limiting the application of the standard to Tier 1 and Tier 2 for-profit entities.

² An update on the IASB meeting in March 2021 is available at <https://www.ifrs.org/news-and-events/updates/iasb-updates/supplementary-iasb-update-march-2021-covid-19-related-rent-concessions/>

23. The amending standard does not establish new disclosure requirements and we therefore do not propose any RDR concessions in relation to the amending standard.
24. The Australian Accounting Standards Board (AASB) is expected to adopt the amending standard in the near future.
25. The issue of this amending standard is consistent with all three elements of the Financial Reporting Strategy: it adopts the international standard, retains a harmonised position with Australia for Tier 1 for-profit entities and is consistent with the New Zealand Accounting Standards Framework.

Other matters

26. There are no other matters relating to the issue of this amending standard that the NZASB considers to be pertinent or that should be drawn to your attention.

Recommendation

27. The NZASB recommends that you sign the attached certificate of determination on behalf of the XRB Board.

Attachments

Covid-19-Related Rent Concessions beyond 30 June 2021

Certificate of determination

Approval certificate

Carolyn Cordery
Chair NZASB