



NZ ACCOUNTING
STANDARDS
BOARD

Covid-19-Related Rent Concessions beyond 30 June 2021

Issued April 2021

This Standard was issued on 23 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 23 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.

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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 23 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 23 April 2021.