Explanatory Statement

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

**June 2020**



# EXPLANATORY STATEMENT

## Standards Amended by AASB 2020-4

This Standard makes amendments to Australian Accounting Standard 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.

### Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

## Main Features of AASB 2020-4

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 (i.e. 15 June 2020).

### References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

## Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 300 *Covid-19-Related Rent Concessions* in April 2020with comments due by 8May 2020. ED 300 incorporated IASB Exposure Draft ED/2020/2 *Covid-19-Related Rent Concessions.* The AASB received eight formal submissions in respect of the proposals in ED 300, which expressed general support for the proposed amendments while also raising minor concerns and requests for similar relief for lessor accounting. The AASB also obtained informal feedback via targeted outreach with stakeholders, including accounting firms and professional bodies. Considering the extremely short comment period, the urgency of the issue and the limited scope of the amendments, AASB staff provided an informal submission to IASB staff, rather than the AASB approving a formal comment letter to the IASB, as decided by the AASB at its April 2020 meeting. The views expressed in the staff submission had the general support of the AASB members.

Eleven Australian stakeholders made submissions directly to the IASB on ED/2020/2, also broadly supporting the IASB’s proposed amendments.

The IASB analysed the feedback it received on the proposed amendments and decided to finalise the amendments, partially addressing the minor concerns raised by AASB staff and Australian stakeholders. The IASB decided to take no further action to address the requests for similar relief for lessor accounting. The IASB set an effective date of annual periods beginning on or after 1 June 2020, with earlier application permitted. The AASB considered and adopted the amendments made by the IASB to IFRS 16 *Leases* in finalising AASB 2020-4 and the amendments to AASB 16.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2020-4 as the amendments made do not have a substantial direct or indirect impact on business or competition.

## Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
*Human Rights (Parliamentary Scrutiny) Act 2011*

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

### Overview of the Accounting Standard

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

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.

### Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

### Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.