

Explanatory Statement

Accounting Standard AASB 2020-7 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures*

August 2020



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2020-7

This Standard makes amendments to Australian Accounting Standards AASB 16 *Leases* (February 2016) and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020).

Marked-up Text

This Standard incorporates marked-up text to clearly identify some or all of the amendments made to the Standards. Those amendments are incorporated using clean text into the compilations of those Standards when they are prepared, based on the legal commencement date of the amendments.

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 2020-7

Main Requirements

This Standard adds new disclosure requirements to AASB 1060 (paragraph 146A) that:

- (a) require entities reporting under the Tier 2 – Simplified Disclosures framework that have applied the practical expedient for COVID-19-related rent concessions in AASB 16 to make the same disclosures as required under AASB 16 paragraph 60A;
- (b) exempt these entities from having to comply directly with AASB 16 paragraph 60A; and
- (c) provide relief for these entities from complying with AASB 1060 paragraph 106(b), being the equivalent paragraph to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, paragraph 28(f).

Application Date

AASB 2020-7 applies to annual periods beginning on or after 1 July 2021. Earlier application is required if an entity is also applying AASB 1060 and AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* to the period.

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 303 *Covid-19-Related Rent Concessions: Tier 2 Disclosures* in July 2020 for comment by 23 July 2020. The AASB received two formal submissions on ED 303, which supported the proposals and did not raise any concerns. Another stakeholder provided informal feedback raising a concern that the rent concessions expedient could ultimately lead to a requirement to disclose variable lease payments. The AASB addressed this by noting in the Basis for Conclusions that the additional disclosures applied only to COVID-19-related rent concessions, given the special circumstances, and that disclosure of variable lease payments was not required.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2020-7 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

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Overview of the Accounting Standard

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This Standard adds new disclosure requirements to AASB 1060 (paragraph 146A) that:

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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*.