

Explanatory Statement

Accounting Standard AASB 2021-3 ***Amendments to Australian Accounting Standards –*** ***Covid-19-Related Rent Concessions beyond 30 June 2021***

April 2021



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2021-3

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 beyond 30 June 2021* (Amendment to IFRS 16) by the International Accounting Standards Board (IASB) in March 2021.

Marked-up Text

This Standard incorporates marked-up text to clearly identify some of the amendments to AASB 16. All 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 2021-3

Main Requirements

This Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*. The practical expedient 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. This Standard extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

Application Date

AASB 2021-3 applies to annual reporting periods beginning on or after 1 April 2021. The amendments may be applied early, including in financial statements not authorised for issue at the date AASB 2021-3 was issued.

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 308 *Covid-19-Related Rent Concessions beyond 30 June 2021* in February 2021 for comment by 22 February 2021. ED 308 incorporated IASB Exposure Draft ED/2021/2 *Covid-19-Related Rent Concessions beyond 30 June 2021*. No comment letters were received by the AASB relating to ED 308. The AASB did not make a submission to the IASB on ED/2021/2.

The IASB analysed the feedback it received on the proposed amendments and decided to finalise the amendments after making some minor changes, including highlighting in paragraph C20BC that a lessee that had already applied the practical expedient in paragraph 46A would be required to apply the extended scope of the practical expedient to eligible contracts with similar characteristics and in similar circumstances. The IASB set an effective date for the amendments of annual periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not authorised for issue at the date the Standard was issued. The AASB considered and adopted the amendments made by the IASB to IFRS Standards in finalising AASB 2021-3 and the amendments to the Australian Accounting Standards.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2021-3 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 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*

Overview of the Accounting Standard

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 beyond 30 June 2021* (Amendment to IFRS 16) by the International Accounting Standards Board (IASB) in March 2021.

This Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*. The practical expedient 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. This Standard extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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*.