

## Accounting Standards Board of Japan (ASBJ)

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8 May 2020

Mr. Hans Hoogervorst

Chair

International Accounting Standards Board

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### **Comments on the Exposure Draft Covid-19 Related Rent Concessions** **(Proposed amendment to IFRS 16)**

1. The Accounting Standards Board of Japan (the “ASBJ” or “we”) welcome the opportunity to comment on the International Accounting Standards Board (the “IASB”)’s Exposure Draft *Covid-19 Related Rent Concessions* (Proposed amendment to IFRS 16) (the “ED”), issued in 24 April 2020.
2. We appreciate the IASB’s quick response to the difficulties arising from the covid-19 pandemic.
3. We support the IASB in providing an accounting relief for lessees, because it would be practically difficult for those lessees who have many lease contracts that will be granted rent concessions to apply the accounting treatment originally set out in IFRS 16.
4. We agree with the direction of the proposal in the ED. However, our observations regarding the exemption that is to be applied to payments originally due in 2020 (Question 1 (b)) are as follows:
  - (a) We agree that it is necessary to limit the scope of the relief, because it introduces an exceptional treatment. However, the ED proposes that the relief “applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic” (proposed paragraph 46B of IFRS 16 in the ED). We are of a view that this restriction is sufficient to limit the scope of the relief, and

that it is unnecessary to set a specific timeframe. If the effects of covid-19 continues for a long time (for example, beyond December 2020), we think IFRS 16 will need to be revised again, which in our view is not desirable from the viewpoint of stability of IFRS standards and of the efficient use of the IASB's resources.

- (b) At the same time, we acknowledge that, if the effects of covid-19 continues for a long time, it will become difficult to assess whether rent concessions occur as “a direct consequence of the covid-19 pandemic”, and in that case setting a specific timeframe may be beneficial. If the IASB were to set a specific timeframe, we do not support providing relief to only those “payments originally due in 2020” as proposed paragraph 46B(b) of IFRS16 in the ED for the following reasons:
- i. we are of the view that the relief should be provided to leases that have been “granted” rent concessions within a specific timeframe, rather than leases that have been granted rent concessions for payments “originally due” with in a specific timeframe. For example, rent concessions may be granted in December 2020 in the form of (1) one reduction of 1 quarterly payment of CU300 due in December 2020 or (2) reduction of 3 monthly payments of CU100 each due in December 2020, January 2021, and February 2021. Although the overall reduction in the payments are the same, under the proposals in the ED, (1) may be within the scope of the relief and (2) may not. We think relief should be provided to both (1) and (2) if the rent concessions occur as a direct consequence of the covid-19 pandemic.
  - ii. Setting the cut-off date at the end of December may be beneficial to entities whose reporting date is the end of December. However, we are concerned that this may cause difficulties for other entities whose reporting date is other than the end of December, because such entities will have a mix of leases with rent recessions that will be subject to the relief and those that will not, and the accounting would be cumbersome. We are of a view that entities should be able to apply the relief consistently throughout their annual reporting periods.
- (c) Therefore, if the IASB were to set a specific timeframe, we propose that it should be prescribed along the lines of “any rent concessions granted up to annual periods that end in 2021”.

5. In addition, we propose that IFRS 1 *First-time Adoption of International Financial Reporting Standards* be consequentially amended, so that an entity which first applies the IFRS standards can apply this relief.
6. We hope that our comments are helpful for the IASB's consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read "A. Kogasaka". The signature is written in a cursive, flowing style.

Atsushi Kogasaka

Chair

Accounting Standards Board of Japan