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From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 8 July 2020

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
the European Union

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Subject: D067917/01 ANNEX Covid-19-Related Rent Concessions - Amendment to  
IFRS 16

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Delegations will find attached document Annex to D067917/01.

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Encl.: Annex to D067917/01

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**ANNEX**

**D067917/01**

**Covid-19-Related Rent Concessions**

Amendment to IFRS 16

## **Amendment to IFRS 16 Leases**

Paragraphs 46A, 46B, 60A, C1A, C20A and C20B are added. A new heading is added before C20A. For ease of reading these paragraphs have not been underlined.
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### **Lessee**

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#### **Measurement**

##### **Subsequent measurement**

###### *Lease modifications*

46A As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

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 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- (c) there is no substantive change to other terms and conditions of the lease.

#### **Disclosure**

60A If a lessee applies the practical expedient in paragraph 46A, the lessee shall disclose:

- (a) that it has applied the practical expedient to all rent concessions that

meet the conditions in paragraph 46B or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient (see paragraph 2); and

- (b) the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient in paragraph 46A.

## **Appendix C**

### **Effective date and transition**

#### **Effective date**

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C1A *Covid-19-Related Rent Concessions*, issued in May 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020.

#### **Transition**

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##### **Covid-19-related rent concessions for lessees**

C20A A lessee shall apply *Covid-19-Related Rent Concessions* (see paragraph C1A) 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.

C20B In the reporting period in which a lessee first applies *Covid-19-Related Rent Concessions*, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.