

STAFF PAPER

March 2021

IASB[®] Meeting

Project	IFRS 16 and covid-19		
Paper topic	Due process and permission to ballot		
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Objective and structure

1. Agenda Paper 32A for this meeting asks the Board to redeliberate the proposal in the February 2021 Exposure Draft *Covid-19-Related Rent Concessions beyond 30 June 2021 (Proposed Amendment to IFRS 16)*. If the Board agrees with the staff recommendations in that paper, we will be in a position to begin the balloting process for an amendment to IFRS 16 *Leases*.
2. The objective of this paper is to:
 - (a) set out the steps in the IFRS Foundation *Due Process Handbook* that the Board has taken in developing the amendment to IFRS 16;
 - (b) ask the Board to confirm that it is satisfied that it has complied with the due process requirements;
 - (c) seek the Board's permission to begin the balloting process for the amendment to IFRS 16; and
 - (d) ask whether any Board member intends to dissent from the amendment to IFRS 16.
3. This paper should be read in conjunction with Agenda Paper 32A, which provides the project background and summarises the proposed amendment to IFRS 16.
4. This paper is structured as follows:
 - (a) Likely effects of the amendment (paragraphs 5-8).
 - (b) Due process steps and permission to ballot (paragraphs 9-16).

- (c) Staff recommendations and questions for the Board.

Likely effects of the amendment

5. We expect the amendment to provide practical relief to lessees. This is because lessees applying the practical expedient in paragraph 46A of IFRS 16 would apply it to covid-19-related rent concessions that reduce lease payments originally due on or before 30 June 2022, instead of 30 June 2021. In practical terms, this means a lessee would not have to do the following in respect of covid-19-related rent concessions that become eligible for the practical expedient as a result of the amendment:
- (a) assess whether those rent concessions are lease modifications; and
 - (b) for rent concessions that are lease modifications, determine new discount rates in remeasuring lease liabilities related to those contracts.
6. A lessee applying the transition requirements in the amendment could be required, in particular circumstances, to undo lease modification accounting already applied for rent concessions eligible for the proposed scope extension. This scenario was explained in the Basis for Conclusions on the Exposure Draft, and the Board received related stakeholder feedback that is analysed in Agenda Paper 32A. In summary, we think this scenario would be relatively rare and would not create undue cost for lessees.
7. Almost all respondents to the Exposure Draft agreed that extending the scope of the practical expedient would provide significant practical relief to lessees.
8. We also expect the amendment to enable lessees to account for similar covid-19-related rent concessions consistently throughout the height of the pandemic, thus providing useful information to investors.

Due process steps and permission to ballot

Effective date

9. The effective date of the amendment to IFRS 16 is discussed in Agenda Paper 32A for this meeting. We recommend an effective date of annual reporting

periods beginning on or after 1 April 2021, with earlier application permitted.
This is as proposed in the Exposure Draft.

Re-exposure

10. Respondents to the Exposure Draft welcomed the Board's timely response to address the matter and supported the amendment proposed in the Exposure Draft. Respondents also asked the Board to finalise and issue the amendment as quickly as possible.
11. The staff recommendations in Agenda Paper 32A include only one change to the proposal in the Exposure Draft. This change is to include an additional explanatory transition paragraph. The proposed additional paragraph does not introduce any new requirements, or change the proposal in the Exposure Draft. It provides explanatory material that was included in the Basis for Conclusions on the Exposure Draft and on which respondents to the Exposure Draft have provided feedback. That feedback is analysed in Agenda Paper 32A.
12. We think the recommendations in Agenda Paper 32A for this meeting respond to feedback on the Exposure Draft and do not represent fundamental changes on which respondents have not had the opportunity to comment. Consequently, on the basis of the re-exposure criteria in paragraphs 6.25-6.29 of the *Due Process Handbook*, we recommend that the Board finalises the amendment to IFRS 16 without re-exposure.

Intention to dissent

13. In accordance with paragraph 6.23 of *Due Process Handbook*, we are asking whether any Board member intends to dissent from the amendment to IFRS 16.

Confirmation of due process steps

14. We think the Board has undertaken all due process steps required in the *Due Process Handbook* and, thus, is able to finalise the amendment. Despite the short comment period, the Board was able to obtain substantial feedback on the

Exposure Draft from stakeholders, including investors. The appendix to this paper summarises the due process steps taken in developing the amendment to IFRS 16.

15. We request permission to start the balloting process if the Board is satisfied that it has been provided with sufficient analysis, and has undertaken appropriate consultation and due process to support issuing the amendment.

Proposed timetable for balloting and publication

16. The balloting process for the amendment to IFRS 16 will commence after this meeting, with the amendment planned for issuance by the end of March 2021.

Staff recommendations and questions for the Board

Questions for the Board

1. **Re-exposure**—does the Board agree with our recommendation in paragraph 12 of this paper not to re-expose the amendment to IFRS 16?
2. **Dissent**—does any Board member intend to dissent from the amendment to IFRS 16?
3. **Permission to ballot**—is the Board satisfied it has complied with the applicable due process requirements and that it has undertaken sufficient consultation and analysis to begin the balloting process for the amendment to IFRS 16?

Appendix—Summary of due process steps

A1. The table below summarises the required due process steps for developing a narrow-scope amendment.

Step	Actions
Consideration of information gathered during consultation	
The Board posts all of the comment letters that are received in relation to the Exposure Draft on the project pages.	All comment letters received by the Board have been posted on the project webpage .
Board and IFRS Interpretations Committee (Committee) meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	The Board discussed the project at its February 2021 and March 2021 supplementary public meetings. All papers are available on the meetings webpage. The project webpage also has up-to-date information about all technical papers and decisions made relating to the project.
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or ongoing associated costs.	See the analysis in paragraphs 5-8 of this paper.
Finalisation	
Due process steps are reviewed by the Board.	This paper asks the Board to review the due process steps for the project.
Need for re exposure of a Standard is considered.	Paragraphs 10-12 of this paper discuss re-exposure. We recommend the Board not re-expose the amendment.
The Board sets an effective date for the Standard, considering the need for effective implementation, generally providing at least one year.	Agenda Paper 32A for this meeting discusses the effective date. Consistent with the proposal in the Exposure Draft, we recommend an effective date of annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.
Drafting	
Drafting quality assurance steps are adequate.	The Translations, Taxonomy and Editorial teams will review the pre-ballot draft.
Publication	
Press release to announce the final Standard.	A press release will be published with the amendment.
A Feedback Statement is provided which provides high level executive summaries of the Standard and explains how the Board has responded to the comments received.	Not considered necessary because the amendment is narrow in scope. According to paragraph 6.38 of the <i>Due Process Handbook</i> , a Feedback Statement is required for all new IFRS Standards and major amendments to Standards.
Standard is issued.	The amendment will be made available on our website when issued.