

8 May 2020

International Accounting Standards Board
Email: commentletters@ifrs.org

Cc: EFRAG

Dear Sir/Madam

Exposure Draft ED/2020/2: Covid-19-Related Rent Concessions - Proposed amendment to IFRS 16

Norsk Regnskaps Stiftelse (the Norwegian Accounting Standards Board, NASB) welcomes the opportunity to submit its views on ED/2020/2 Covid-19-Related Rent Concessions - Proposed amendment to IFRS 16.

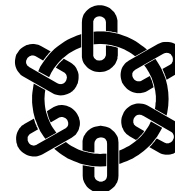
NASB agrees that the proposed amendment would provide lessees with practical relief while enabling them to continue providing useful information about their leases to users of financial statement. In NASB's opinion, immediately showing the effect of Covid-19-related rent concessions in profit or loss provides users of the financial statements with more useful information than spreading the effects over the remaining useful life of the right-of-use asset. Further, assessing whether Covid-19-related rent concessions are resulting from a modification could be complex, and determining the revised discount rate when remeasuring the lease liability may be challenging under current market conditions. We believe the proposed solution appropriately addresses these issues in very special circumstances.

NASB also agrees to the proposed effective date with earlier application permitted, as well as transition approach. This would allow entities to apply the amendments in any set of financial statements not yet authorised for issue, while avoiding the burden of restating prior period figures.

The practical expedient is limited to lessees. We believe a similar expedient is relevant for lessors, both for practical reasons and from a user perspective.

IFRS 16.87 requires a lessor to account for a lease modification to an operating lease as a new lease from the effective date of the modification. Further IFRS 16.81 requires a lessor to recognise lease payments from operating leases on a straight-line basis in most cases. For rent concessions considered to be lease modifications, this implies that the lessor will recognise the reduced rent over the remaining lease term and not in the period that the rent reduction is given. We believe rent concessions given in this situation is a current period loss in most cases. In our view recognising reduced revenue in the period that the rent concession is given, gives more relevant information to users, and faithfully represent the economics of the situation. We think lease modifications from Covid-19 rent concessions is different from other lease modifications. Rent concessions occurring as a direct consequence of Covid-19, are often given based on a public pressure and/or government encouragement and are thus different from lease modification following from negotiations between the lessee and lessor. This warrants a different accounting treatment.

We also believe the expedient should be extended to lessors due to practical reasons. One of the reasons for the expedient to be granted to lessees is that considering whether a lease contract has been modified is challenging. Considering whether a rent concession is a lease modification or not, will often require a legal assessment, and may require a high degree of legal judgment, especially regarding whether force majeure applies. This also applies to lessors. Lessors may also have a significant number



of different leases, and not only a few standard contracts. Lease agreement may for example be different for different assets and also for different categories of investment property (office buildings, warehouses, shopping centres, hotels, barracks etc.). Lessors may also have leases in several jurisdiction. Finally, although accounting for a lease modification is quite straight forward for a single operating lease, for some lessors accounting for the modification can create practical challenges due to a very high number of lease contracts.

You are welcome to contact us if you would like to discuss any specific issues addressed in our response further.

Yours faithfully,
Karina Vasstveit Hestås
Chair of the Technical Committee on IFRS of Norsk RegnskapsStiftelse