



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

May 11, 2020

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus, Canary Wharf,
London E14 4HD, United Kingdom

Dear Mr. Hoogervorst,

Response on IFRS Standards Exposure Draft ED/2020/2 - Covid-19-Related Rent

The Thailand Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to response on *IFRS Standards Exposure Draft ED/2020/2 - Covid-19-Related Rent*. Overall, we agree with the practical expedient in accounting for particular covid-19-related rent concessions as well as its effective date and transition of the amendment as attached.

Please find our responses to the specific survey raised in *IFRS Standards Exposure Draft ED/2020/2 - Covid-19-Related Rent* in an attachment. We believe that these responses will help the practitioners in the future and that our response will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Thailand Federation of Accounting Professions of Thailand.

The Thailand Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Somchai Supattarakul
Chairman of Thai Accounting Standards Board
Thailand Federation of Accounting Professions
Bangkok, Thailand



IFRS Standards Exposure Draft ED/2020/2 - Covid-19-Related Rent

Concessions

Question 1—Practical expedient (paragraphs 46A and 46B of the [Draft] amendment to IFRS 16)

Paragraph 46A of the draft amendment to IFRS 16 proposes, as a practical expedient, that a lessee may elect not to assess whether a covid-19-related rent concession is a lease modification. A lessee that makes this election would account for any change in lease payments resulting from the covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Paragraph 46B of the draft amendment to IFRS 16 proposes that the practical expedient 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 in 2020; and
- (c) there is no substantive change to other terms and conditions of the lease.

Do you agree that this practical expedient would provide lessees with practical relief while enabling them to continue providing useful information about their leases to users of financial statements? Why or why not? If you disagree with the proposal, please explain what you propose and why.

TFAC: We agree with a practical expedient in accounting for particular covid-19-related rent concessions proposed in the ED. During the period of covid-19 pandemic, many entities are seeking rent concessions – i.e. waivers, reductions or deferrals of lease payments. Under IFRS 16 Leases, rent concessions often meet the definition of a lease modification and applying the requirements of IFRS 16 to the covid-19-related rent concessions could be practically difficult. For example, the lessee shall be required to remeasure lease assets and liabilities using a revised discount rate. In our opinion, we agree with the need to provide relief for the lessee given the challenges they face in assessing whether lease modifications have occurred under



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the period of covid-19 pandemic and taking account of the challenges of implementing IFRS 16. The proposed expedient, by mean of which the lessee may select not to assess whether particular covid-19-related rent concessions are lease modifications and to account for such rent concessions as if they were not lease modifications, provide practical relief without significantly decrease in the usefulness of financial information provided.

Question 2—Effective date and transition (paragraphs C1A and C20A of the [Draft] amendment to IFRS 16)

Paragraphs C1A and C20A of the draft amendment to IFRS 16 propose that a lessee would apply the amendment:

- (a) for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at the date the amendment is issued; and
- (b) retrospectively, recognising the cumulative effect of initially applying the 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.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you propose and why.

TFAC: We agree with the proposals to permit early application because this will allow the proposed relief to be accessed when it is most needed. In addition, we support the proposal to require retrospective application of the amendment as an adjustment to the opening balance of retained earnings to avoid a costly and time consuming full restatement.