

February 24, 2021

IFRS Foundation
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Canary Wharf
London E14 4HD
United Kingdom

Dear Colleagues,

The Saudi Organization for Certified Public Accountants (SOCPA) appreciates the efforts of the IASB and welcomes the opportunity to comment on the Exposure Draft Exposure Draft ED/2021/2, *Covid-19-Related Rent Concessions beyond 30 June 2021- Proposed amendment to IFRS 16*

As we stated in our response to the previous amendment to IFRS 16 regarding Covid-19 related rent concessions (ED-2020-2), rent concessions offered by a lessor to a lessee as a response to a specified event and for a specified period of time may not be viewed as a lease modification. It is only a relief from part of the liability without affecting the remaining liability, lease term or the right of use asset. Therefore, we are in favor of keeping the principles of the Standard intact by not giving an explicit relief for a specified event by name for a specified period of time. Rather, it may be more appropriate to amend the Standard to respond to other similar events. Unfortunately, the way how the Board dealing with the subject is not in line with its practice of setting standards according to principle and not to respond to a specific one time situation.

Therefore, we reiterate our previous suggestion to amend the Standard to cover such situation without specific reference to Covid-19, so it can be applied whenever unpredicted events that of temporary nature (for example, a pandemic or nature catastrophe, such as earthquake, tsunami, wildfire and pandemic) trigger a rent concession. We also suggest removing the phrase “substantially the same” from subparagraph (a) of paragraph 46B because if it is “substantially the same” it would not be an issue.

We repeat below our previous suggested amendments to paragraphs 46A and 46B with very slight changes and hope the Board would consider it this time to avoid a third amendment for the same subject or for other similar situations. The amendment proposed by the Board can be slightly amended to incorporate our suggestions as follows:

46A A lessor may grant the lessee a rent concession of a specified amount and for a specified period of time to respond to some unpredicted events that of temporary nature (for example, a pandemic or nature catastrophe such as earthquake, tsunami, wild fire that triggers a rent concession). Such concession may be in form of forgiveness and/or postponing of one or more lease payments. As a practical expedient, a lessee may elect not to assess whether such rent concession (see paragraph 46B) is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from such 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 such triggers as the events described in paragraph 46A 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 less than the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due in the year or years when the trigger occurs or continue to exist (for example, a rent concession would meet this condition if it results in reduced lease payments in the year when the trigger occurs and increased lease payments that extend beyond that year); and
- (c) there is no substantive change to other terms and conditions of the lease.

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Disclosure

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60A A lessee that applies the practical expedient in paragraph 46A shall disclose that fact.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,



Dr. Ahmad Almeghames
Secretary General