

Amendments to HKFRS 16 - Covid-19-Related Rent Concessions

Introduction

The Amendments to HKFRS 16 exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. The Amendments apply to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The Amendments do not affect lessors.

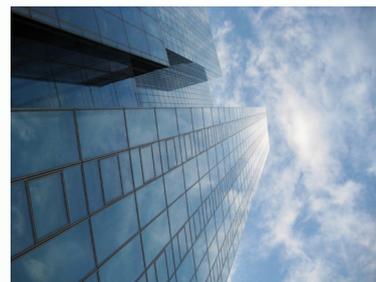
Effective Date and Transitional Provision

A lessee shall apply the Amendments for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 4 June 2020.

The Amendments shall be applied retrospectively by recognising the cumulative effect of initially applying the Amendments as an adjustment to the opening balance of retained earnings at the beginning of the annual reporting period in which the Amendments are first applied.

Summary of Amendments

A lessee may elect not to assess whether a rent concession that meets the conditions below 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 HKFRS 16 if the change were not a lease modification. The rent concession could be recognised in profit or loss as variable lease payments applying paragraph 38 of HKFRS 16. It could also be accounted for as a reassessment of the lease liability.



This election 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.

If a lessee makes this election, the lessee shall disclose:

- a. that it has made this election to all rent concessions or, if not to all such rent concessions, information about the nature of the contracts to which it has made this election; 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 made this election.

Contact Us



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