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Founded in 1913

香港華人會計師公會
The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)

(Incorporated in Hong Kong as a company limited by guarantee)

6 May 2020

Mr. LEE Chun Ho, Ernest

Chairman

Financial Reporting Standards Committee

Hong Kong Institute of Certified Public Accountants

37th Floor, Wu Chung House

213 Queen's Road East

Wanchai

Hong Kong

Dear Sir,

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

We refer to your letter dated 27 April 2020 and on behalf of the society of Chinese Accountants and Auditors ('SCAA'), we would like to provide our views on the invitation to comment on IASB Exposure Draft ED/2020/2 Covid-19-Related Rent Concessions, Exposure Draft of a proposed amendment to IFRS16:-

Question 1 – Practical Expedient

Paragraph 46A

We agree that, as a practical expedient, a lessee has a right to elect not to assess whether a covid-19-related rent concession is a lease modification because such election can reduce the workload of the lessees. However, such election is not proposed for the lessors under this exposure draft. The lessors would have to amortize the concessions throughout the remaining lease term. And therefore, it appears that the lessors are not treated equally.



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Paragraph 46B

We agree that the practical expedient applies to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all the three conditions mentioned in this paragraph are met. However, under the specific Hong Kong circumstance, we suggest that the practical expedient should be extended to include the rent concessions occurring as the consequences of the other social events such as the recent social movements in Hong Kong.

Question 2

Paragraphs C1A and C20A

We agree with the annual reporting periods and the permission for earlier application proposed in these paragraphs because it is very flexible for the lessees to adopt the proposed amendment to IFRS 16.

Should you wish to further discuss the issues in more details, please do not hesitate to contact us at 2869 6680.

Thanks for your kind attention!

Yours faithfully,

Wong Chun Sek, Edmund

President

The Society of Chinese Accountants & Auditors