Commission Regulation (EU) 2020/1434 of 9 October 2020 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 16 (Text with EEA relevance)

COMMISSION REGULATION (EU) 2020/1434

of 9 October 2020

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 16

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards[(1)], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008[(2)] certain international accounting standards and interpretations that were in existence on 15 October 2008 were adopted.

(2) The COVID-19 pandemic caused an unprecedented external shock to the Union and its economy creating a need for measures aimed at alleviating adverse impacts on citizens and companies where possible.

(3) Member States and the Union have taken measures to provide financial relief to companies, including payment holidays based on private or public moratoria, to prevent unnecessary bankruptcies and job losses, and to underpin rapid recovery.

(4) On 28 May 2020, the International Accounting Standards Board (IASB) published Covid-19-Related Rent Concessions (amendment to International Financial Reporting Standard (IFRS) 16 *Leases*).

(5) The amendment to IFRS 16 provides optional, temporary COVID-19 related operational relief for lessees benefitting from lease payments holidays without undermining the relevance and usefulness of financial information reported by companies. Following the consultation with the European Financial Reporting Advisory Group, the Commission concludes that the amendment to IFRS 16 meet the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(6) The IASB set the effective date of the amendments to IFRS 16 as from 1 June 2020. Therefore, the provisions of this Regulation should apply retroactively to ensure legal

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) 2020/1434. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

certainty for the issuers concerned and consistency with other accounting standards laid down in Regulation (EC) No 1126/2008.

(7) Having regard to the urgency of this COVID-19 related operational relief, this Regulation should enter into force on the day following that of its publication in the *Official Journal of the European Union*.

(8) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(9) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

In the Annex to Regulation (EC) No 1126/2008, International Financial Reporting Standard (IFRS) 16 *Leases* is amended as set out in the Annex to this Regulation.

Article 2

Each company shall apply the amendments referred to in Article 1, at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020.

Article 3

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 9 October 2020.

For the Commission

The President

Ursula VON DER LEYEN

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EU) 2020/1434. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

ANNEX

Covid-19-Related Rent Concessions
Amendment to IFRS 16

Amendment to IFRS 16*Leases*

Paragraphs 46A, 46B, 60A, C1A, C20A and C20B are added. A new heading is added before C20A. For ease of reading these paragraphs have not been underlined.

LESSEE

Measurement

Subsequent measurement

Lease modifications

46A As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the conditions in paragraph 46B 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 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 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.

Disclosure

60A If a lessee applies the practical expedient in paragraph 46A, the lessee shall disclose:

(a) that it has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient (see paragraph 2); 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 applied the practical expedient in paragraph 46A.

Appendix C

Effective date and transition

EFFECTIVE DATE

C1A *Covid-19-Related Rent Concessions,* issued in May 2020, added paragraphs 46A, 46B, 60A, C20A and C20B. A lessee shall apply that amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020.