



## FRED 78 DRAFT AMENDMENTS TO FRS 102 & FRS 105 – COVID-19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 21

Issued 11 May 2021

ICAEW welcomes the opportunity to comment on FRED 78 *Draft amendments to FRS 102 & FRS 105 – COVID-19-related rent concessions beyond 30 June 21* published by the Financial Reporting Council in April 2021, a copy of which is available from this [link](#).

We support the proposed amendments to FRS 102 and FRS 105 which would extend the time conditions attached to the accounting treatment for rent concessions granted as a direct consequence of the COVID-19 pandemic.

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## ANSWERS TO SPECIFIC QUESTIONS

***Question 1. Do you agree with the proposed amendments to FRS 102 and FRS 105? If not, why not?***

1. Yes, we agree with the proposed amendments to FRS 102 and FRS 105. We note that in deciding on how far to extend the existing time condition attached to the accounting for COVID-19-related rent concessions, the FRC has considered the current situation and prospects faced by entities in the UK and Republic of Ireland, as well as international developments.
2. We also note the FRC's intention to ensure that the proposed timeframe is considered sufficient to cover periods where concession will be granted to entities in circumstances similar to those when the original amendments were made. Similarly, consideration has been given to limiting the risk that the accounting treatment is applied too broadly as a result of this extension.
3. Having reviewed the FRC's proposals and underlying rationale, we agree that extending the time condition to lease payments originally due on or before 30 June 2022 is appropriate in the circumstances.
4. We note there may be instances when entities issue their financial statements before these amendments are available, and therefore will not be able to apply the accounting treatment to COVID-19 related rent concessions granted on lease payments originally due between 1 July 2021 and 30 June 2022. This means that the accounting treatment for these later rent concessions would need to be reversed in subsequent periods. Although BC11 notes that such circumstances are expected to be rare, we nevertheless suggest that the FRC considers whether retrospective application is appropriate in these circumstances, or whether prospective application would be more appropriate.

***Question 2. In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.***

5. We agree with the FRC's conclusion that the proposals will have a positive impact on the relevance and consistency of reporting by entities.