



June 2021

---

*Amendments to FRS 102 **The Financial Reporting Standard applicable in the UK and Republic of Ireland** and FRS 105 **The Financial Reporting Standard applicable to the Micro-entities Regime***

COVID-19-related rent concessions beyond  
30 June 2021

The FRC's purpose is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

The FRC does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

© The Financial Reporting Council Limited 2021  
The Financial Reporting Council Limited is a company limited by guarantee.  
Registered in England number 2486368. Registered Office:  
8th Floor, 125 London Wall, London EC2Y 5AS

This Financial Reporting Standard contains material in which the IFRS Foundation holds copyright and which has been reproduced with its permission. The copyright notice is reproduced on page 16.



June 2021

---

*Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime*

COVID-19-related rent concessions beyond  
30 June 2021

*Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime – COVID-19-related rent concessions beyond 30 June 2021* amends accounting standards. It is issued by the Financial Reporting Council, as a prescribed body, for application in the United Kingdom and Republic of Ireland.

# Contents

	Page
<b>Overview</b>	3
<b><i>Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland</i></b>	4
Section 1 <i>Scope</i>	5
Section 20 <i>Leases</i>	6
<b><i>Amendments to FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime</i></b>	7
Section 1 <i>Scope</i>	8
Section 15 <i>Leases</i>	9
<b>Approval by the FRC</b>	10
<b><i>Amendments to Basis for Conclusions FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland</i></b>	11
<b><i>Amendments to Basis for Conclusions FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime</i></b>	13



## Overview

- (i) The FRC's overriding objective in setting accounting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.

### Amendments to FRS 102 and FRS 105

- (ii) In October 2020, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* was amended to require entities to recognise changes in operating lease payments that occur as a direct consequence of the COVID-19 pandemic, and meet specified conditions, on a systematic basis over the periods that the change in lease payments is intended to compensate. The treatment was considered to reflect the economic substance of the intended benefit of these concessions and their temporary nature and improve the consistency of reporting for users of financial statements. Similar amendments were made to FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*.
- (iii) Amongst other conditions, the requirements introduced by the October 2020 amendments apply only to concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. This time condition was included to limit the requirements to those concessions where the treatment is expected to be reflective of the substance of the concession.
- (iv) These amendments extend the requirements so that they apply to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions are met. Extending the existing time condition by 12 months was considered necessary to ensure that concessions with similar characteristics that occur in similar circumstances are accounted for consistently and in a way that best reflects their substance.
- (v) The effective date for these amendments is accounting periods beginning on or after 1 January 2021, with early application permitted.

**Amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland***

## **Amendments to Section 1 Scope**

- 1 The following paragraph sets out the amendments to Section 1 *Scope* (inserted text is underlined).
- 2 The sub-heading and paragraph 1.33 are inserted as follows:

### **COVID-19-related rent concessions beyond 30 June 2021**

- 1.33 In June 2021 an amendment was made to paragraph 20.15D of this FRS. This amendment is effective for accounting periods beginning on or after 1 January 2021. Early application is permitted. If an entity applies this amendment to an accounting period beginning before 1 January 2021 it shall disclose that fact, unless it is a small entity, in which case it is encouraged to disclose that fact.

## **Amendment to Section 20 Leases**

- 3 The following paragraph sets out the amendment to Section 20 *Leases* (inserted text is underlined, deleted text is struck through).
- 4 Paragraph 20.15D is amended as follows:
  - 20.15D An entity shall apply the requirements in paragraphs 20.15C and 20.25B to temporary rent concessions occurring as a direct consequence of the COVID-19 pandemic if, 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 on or before 30 June ~~2021~~2022; and
    - (c) there is no significant change to other terms and conditions of the lease.

**Amendments to FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime***

## **Amendments to Section 1 Scope**

5 The following paragraph sets out the amendments to Section 1 *Scope* (inserted text is underlined).

6 The sub-heading and paragraph 1.9 are inserted as follows:

### **COVID-19-related rent concessions beyond 30 June 2021**

1.9 In June 2021 an amendment was made to paragraph 15.16B of this FRS. This amendment is effective for accounting periods beginning on or after 1 January 2021. Early application is permitted.

## **Amendment to Section 15 Leases**

- 7 The following paragraph sets out the amendment to Section 15 *Leases* (inserted text is underlined, deleted text is struck through).
- 8 Paragraph 15.16B is amended as follows:
  - 15.16B An entity shall apply the requirements in paragraphs 15.16A and 15.25A to temporary rent concessions occurring as a direct consequence of the COVID-19 pandemic if, 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 on or before 30 June ~~2021~~2022; and
    - (c) there is no significant change to other terms and conditions of the lease.

## **Approval by the FRC**

*Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime – COVID-19-related rent concessions beyond 30 June 2021* was approved for issue by the Financial Reporting Council on 2 June 2021.

## **Amendments to Basis for Conclusions FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland***

- 1 The following amendments are made to the Basis for Conclusions FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (inserted text is underlined, deleted text is struck through).
- 2 Paragraph B20.10 is amended and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:

B20.10 The criteria for applying the requirements were intended to restrict the treatment to those concessions when it was generally considered to be reflective of the substance of the concession. This minimises the risk of the requirements being applied when it may be more appropriate to recognise changes in lease payments on another basis. The requirements apply only to rent concessions that occur as a direct consequence of the COVID-19 pandemic and:

- (a) result in revised consideration for the lease that is less than the consideration for the lease immediately preceding the change. Deferred lease payments do not change the consideration for the lease but change only the timing of individual payments. The requirements therefore do not apply to changes in lease payments that result from rent deferrals. These changes are accounted for under the existing requirements of FRS 102, which are considered to provide useful information to users of financial statements.
- (b) result in a reduction to only lease payments originally due on or before 30 June ~~2021~~2022<sup>[\*footnote]</sup>. A related increase in lease payments that extends beyond 30 June ~~2021~~2022 would not prevent a rent concession from meeting this condition. In contrast, if reductions in lease payments extend beyond 30 June ~~2021~~2022, the rent concession in its entirety would not be within scope. The economic effects of the COVID-19 pandemic could continue for some time. If the requirements were not limited to a particular timeframe, an entity could conclude that many future changes in lease payments are a consequence of the COVID-19 pandemic. The chosen timeframe was intended to limit the requirements to apply to those concessions where the treatment is expected to be reflective of the substance of the concession and achieve consistency over this period.
- (c) introduce no significant change to other terms and conditions of the lease. A concession that incorporates significant changes to a lease agreement which are unrelated to the COVID-19 pandemic, but negotiated at the same time as those related changes, would not meet this condition.

[\*footnote] Amendments to FRS 102 and FRS 105 – COVID-19-related rent concessions beyond 30 June 2021 was issued in June 2021 which amended the date in paragraph 20.15D of FRS 102 from 30 June 2021 to 30 June 2022 (see paragraph B20.11A).

- 3 The sub-heading and paragraph B20.11A are inserted as follows:

### **COVID-19-related rent concessions beyond 30 June 2021**

B20.11A In June 2021, FRS 102 was amended to extend the requirements of paragraphs 20.15C and 20.25B so that they apply to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions in paragraph 20.15D are met. Extending the time condition by 12 months was necessary to allow the requirements to be applied consistently to concessions that are similar in substance to those covered by the original requirements, reflecting the continued

impact of the COVID-19 pandemic on operating lease agreements. The extended timeframe was considered to be sufficient to cover those periods where concessions will be granted in circumstances similar to those that existed when the original requirements were developed.

- 4 Table 1 *Exposure drafts and consultation documents* is amended as follows (new exposure drafts are inserted in numerical order):

<b>Exposure draft</b>	<b>Date of issue</b>	<b>Finalised as</b>	<b>Date of issue</b>	<b>Mandatory effective date</b>
<u>FRED 78</u>	<u>Apr 2021</u>	<u>Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime – COVID-19-related rent concessions beyond 30 June 2021</u>	<u>Jun 2021</u>	<u>1 Jan 2021</u>

## ***Amendments to Basis for Conclusions FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime***

- 5 The following amendments are made to the Basis for Conclusions FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* (inserted text is underlined, deleted text is struck through).
- 6 Paragraph 52 is amended and a sequentially numbered footnote is inserted (subsequent footnotes are renumbered sequentially) as follows:
- 52 The criteria for applying the requirements were intended to restrict the treatment to those concessions when it was generally considered to be reflective of the substance of the concession. This minimises the risk of the requirements being applied when it may be more appropriate to recognise changes in lease payments on another basis. The requirements apply only to rent concessions that occur as a direct consequence of the COVID-19 pandemic and:
- (a) result in revised consideration for the lease that is less than the consideration for the lease immediately preceding the change. Deferred lease payments do not change the consideration for the lease but change only the timing of individual payments. The requirements therefore do not apply to changes in lease payments that result from rent deferrals. These changes are accounted for under the existing requirements of FRS 105, which are considered to provide useful information to users of financial statements.
  - (b) result in a reduction to only lease payments originally due on or before 30 June ~~2021~~2022<sup>[\*footnote]</sup>. A related increase in lease payments that extends beyond 30 June ~~2021~~2022 would not prevent a rent concession from meeting this condition. In contrast, if reductions in lease payments extend beyond 30 June ~~2021~~2022, the rent concession in its entirety would not be within scope. The economic effects of the COVID-19 pandemic could continue for some time. If the requirements were not limited to a particular timeframe, an entity could conclude that many future changes in lease payments are a consequence of the COVID-19 pandemic. The chosen timeframe was intended to limit the requirements to apply to those concessions where the treatment is expected to be reflective of the substance of the concession and achieve consistency over this period.
  - (c) introduce no significant change to other terms and conditions of the lease. A concession that incorporates significant changes to a lease agreement which are unrelated to the COVID-19 pandemic, but negotiated at the same time as those related changes, would not meet this condition.

[\*footnote] *Amendments to FRS 102 and FRS 105 – COVID-19-related rent concessions beyond 30 June 2021* was issued in June 2021 which amended the date in paragraph 15.16B of FRS 105 from 30 June 2021 to 30 June 2022 (see paragraph 52A).

- 7 The sub-heading and paragraph 52A are inserted as follows:

### ***Amendments to FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime – COVID-19-related rent concessions beyond 30 June 2021***

52A In June 2021, FRS 105 was amended to extend the requirements of paragraphs 15.16A and 15.25A so that they apply to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions in paragraph 15.16B are met. Extending the time condition by 12 months was necessary to allow the

requirements to be applied consistently to concessions that are similar in substance to those covered by the original requirements, reflecting the continued impact of the COVID-19 pandemic on operating lease agreements. The extended timeframe was considered to be sufficient to cover those periods where concessions will be granted in circumstances similar to those that existed when the original requirements were developed.

- 8 Table 1 *Exposure drafts and consultation documents* is amended as follows (new exposure drafts are inserted in numerical order):

Exposure draft		Date of issue	Finalised as	Date of issue
<u>FRED 78</u>	<u>Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime – COVID-19-related rent concessions beyond 30 June 2021</u>	<u>Apr 2021</u>	<u>Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime – COVID-19-related rent concessions beyond 30 June 2021</u>	<u>Jun 2021</u>



## COPYRIGHT NOTICE

IFRS® Standards together with their accompanying documents are issued by the International Accounting Standards Board:

7 Westferry Circus, Canary Wharf, London, E14 4HD, United Kingdom.  
Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411  
Email: [info@ifrs.org](mailto:info@ifrs.org) Web: [www.ifrs.org](http://www.ifrs.org)

Copyright © 2021 IFRS Foundation

The International Accounting Standards Board, the IFRS Foundation, the authors and the publishers do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

IFRS Standards (which include IAS® Standards and IFRIC® and SIC® Interpretations) are copyright of the IFRS Foundation. The authoritative text of IFRS Standards is that issued by the International Accounting Standards Board in the English language. Copies may be obtained from the IFRS Foundation Publications Department. Please address publication and copyright matters to:

IFRS Foundation Publications Department  
7 Westferry Circus, Canary Wharf, London, E14 4HD, United Kingdom.  
Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749  
Email: [publications@ifrs.org](mailto:publications@ifrs.org) Web: [www.ifrs.org](http://www.ifrs.org)

All rights reserved. No part of this publication may be translated, reprinted or reproduced or utilised in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage and retrieval system, without prior permission in writing from the IFRS Foundation.



The IFRS Foundation logo, the IASB logo, the IFRS for SMEs logo, the “Hexagon Device”, “IFRS Foundation”, “eIFRS”, “IAS”, “IASB”, “IASC Foundation”, “IASCF”, “IFRS for SMEs”, “IASs”, “IFRS”, “IFRSs”, “International Accounting Standards” and “International Financial Reporting Standards” are Trade Marks of the IFRS Foundation.





Further copies, £16.00 (post-free) can be obtained from:

**FRC Publications**

Lexis House  
30 Farringdon Street  
London  
EC4A 4HH

Tel: **0845 370 1234**

Email: [customer.services@lexisnexis.co.uk](mailto:customer.services@lexisnexis.co.uk)

Or order online at: [www.frcpublications.com](http://www.frcpublications.com)

ISBN 978-0-7545-5828-6

