

5 November 2020

ISCA Financial Reporting Bulletin 7

**FRB 7:**

COVID-19 Government Relief Measures:  
Accounting for Rental Relief Framework for  
Small and Medium Enterprises (SMEs) and  
Non-Profit organisations (NPOs) from the  
perspective of the landlord and the tenant

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As the national accountancy body, ISCA is committed to supporting our members in their careers as they progress and rise to challenges faced along the way. ISCA's Technical Division provides technical support in areas of audit & assurance, financial reporting, sustainability reporting, ethics and specialised industries such as capital markets, banking and finance and insurance; and communicates insights and views to our members and the wider accountancy community. Through our technical committees that comprise representatives from various stakeholders in the corporate reporting eco-system, we hear issues from the ground and conceive initiatives to promote and enhance quality, consistency and best practices to uphold technical excellence.

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ISCA's Financial Reporting Committee (FRC) is chaired by Mr Reinhard Klemmer and comprises representatives from legal and accounting firms, corporate, regulators and academia in the financial reporting eco-system. FRC's terms of reference include monitoring policy and implementation issues relating to the development of accounting standards internationally and in Singapore, and to identify, understand and address accounting issues faced by professional accountants in Singapore, and provide support through the issuance of guidance.

The terms of reference are executed through FRC with the support of two Sub-Committees, namely the Core Sub-Committee and the Valuation Sub-Committee. The FRC Core Sub-Committee is the technical accounting arm of FRC and comprises various technical accounting subject matter experts from accounting firms. The Core Sub-Committee engages in technical deliberations on emerging accounting issues in Singapore and new or revised accounting developments proposed by the international accounting standards setter.

*Note:*

- *Although this FRB makes references to SFRS(I) 1-20 Accounting for Government Grants and Disclosure of Government Assistance and SFRS(I) 16 Leases, the guidance in this FRB is also applicable to entities applying FRS 20 Accounting for Government Grants and Disclosure of Government Assistance and FRS 116 Leases.*
- *This FRB provides accounting guidance and key considerations on how to account for the Rental Relief Framework for Small and Medium Enterprises (SMEs) and specified non-profit organisations (NPOs) from both the landlord's and tenant's perspective, except for landlords which are Singapore Government-related agencies.*
- *This FRB addresses the accounting for the rental relief passed by the landlord to the tenant that is prescribed under the Rental Relief Framework for SMEs and NPOs. It does not address any other additional rental rebates or payments from the landlord to the tenant which are unrelated to the Singapore Government initiated Rental Relief Framework for SMEs and NPOs.*
- *This FRB is based on publicly available information as at 5 November 2020. References made to Singapore Government websites are accurate as at the date of issuance of this FRB. Members are strongly advised to refer to the respective Singapore Government websites relating to the Rental Relief Framework for SMEs and NPOs for any subsequent updates.*

## Contents

1. Background .....	2
2. Scope of this FRB .....	8
3. Accounting for the Rental Reliefs by the landlord .....	8
4. Accounting for the Rental Reliefs by the tenant .....	11

## 1. Background

As part of the Fortitude Budget, the Singapore Government introduced a Rental Relief Framework for Small and Medium Enterprises (“SMEs”) and specified non-profit organisations (“NPOs”) (“Rental Relief Framework”).

The COVID-19 (Temporary Measures) (Amendment) Act 2020 (“Amendment Act”) was passed by Parliament on 5 June 2020 and assented to by the President of Singapore on 16 June 2020. The Rental Relief Framework came into force on 31 July 2020 through the Amendment Act and the COVID-19 (Temporary Measures) (Rental and Related Measures) Regulations 2020 (“Regulations”).

Under the Rental Relief Framework:

- eligible SMEs and NPOs who are tenant-occupiers (referred to as “tenant” in this FRB) will benefit from the Rental Relief and Additional Rental Relief (“Rental Reliefs”) as stated in Table 1 on the next page
  
- landlords and property-owners (referred to as “landlord” in this FRB) will be required to waive the contractual rent of the specified months for a tenant, excluding any maintenance fee and service charges<sup>1</sup>. Generally, the landlord may also offset the Rental Reliefs against any financial assistance previously provided to the tenant such as:
  - any payment, or deduction of any amount due under the lease or license agreement, (i) given by the landlord to the tenant on or after 1 February 2020 but before the date of receipt of the copy of the notice of cash grant by the tenant; or (ii) undertaken by the landlord, before the date the notice of cash grant is issued to the landlord, to be given to the tenant; and/or
  
  - any benefit of the Property Tax Rebate for Year 2020 that has been passed on or is obliged to be passed on by the landlord to his tenant in respect of the property.

For further information on the Rental Relief Framework, please refer to the following:

- [Amendment Act](#)
- [Regulations](#)
- [FAQs for Rental Relief Framework for SMEs & NPOs](#) (Ministry of Law’s website)
- [Government cash grant \(announced in Fortitude Budget\)](#) (IRAS’s website)

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<sup>1</sup> IRAS has clarified that maintenance fees and service charges continue to be borne by the tenant (even if the rental contract states that the landlord is to pay for these fees/charges)  
[\[https://www.iras.gov.sg/irashome/COVID-19-Support-Measures-and-Tax-Guidance/Tax-Guidance/For-Property-Owners/\]](https://www.iras.gov.sg/irashome/COVID-19-Support-Measures-and-Tax-Guidance/Tax-Guidance/For-Property-Owners/)

**Table 1 – Rental reliefs under the Rental Relief Framework**

	Type of Relief	Relief supported by	Duration of Rental Relief <sup>2</sup>		Eligibility Criteria
			Qualifying Commercial Properties <sup>3</sup> (e.g. Shops)	Other Non-Residential Properties <sup>3</sup> (e.g. Industrial / office properties)	
1.	Rental Relief	Government assistance and landlord	2 months <sup>4</sup> (for April – May 2020)	1 month <sup>4</sup> (for April 2020)	<ul style="list-style-type: none"> <li>SME at individual/entity level (≤ S\$100 million revenue for FY2018 or later appropriate period)</li> <li>Leases must be in writing, or evidenced in writing, and                             <ul style="list-style-type: none"> <li>(i) entered into before 25 March 2020 ; or (ii) entered into before 25 March 2020 but expired and renewed automatically or in exercise of a right of renewal in the contract; and</li> <li>In force at any time between 1 April and 31 July 2020 (qualifying commercial properties), or between 1 April to 31 May 2020 (other non-residential properties)</li> </ul> </li> </ul>
2.	Additional Rental Relief	Landlord	2 months <sup>4</sup> (for June – July 2020)	1 month <sup>4</sup> (for May 2020)	<ul style="list-style-type: none"> <li>Qualify for Rental Relief, have carried on business at the rented property before 25 March 2020 and meet the following additional criteria:                             <ul style="list-style-type: none"> <li>Where 50% or more of the total voting shares or power in the tenant-occupier is held by a Singapore-incorporated entity (i.e. it is a subsidiary of another entity incorporated in Singapore) and the tenant is a member of a Singapore group of entities' ("group") during the period 1 April to 31 May 2020, the group's aggregate revenue is not more than S\$100 million for the Financial Year 2018 or a later appropriate period where applicable, and</li> <li>≥ 35% drop in average monthly gross income at outlet level for the period 1 April to 31 May 2020, compared to 1 April to 31 May 2019 or other period where appropriate</li> </ul> </li> </ul>
<b>Total</b>			<b>4 months</b>	<b>2 months</b>	

<sup>2</sup> The Rental Reliefs in Table 1 are applicable in cases where the tenant occupies the property throughout the relief period. Please refer to <https://go.gov.sg/rentalrelieffaq> for details of the application of the rental waivers in cases where the tenant does not occupy the property throughout the relief period.

<sup>3</sup> The prescribed properties are set out in the [COVID-19 \(Temporary Measures\) \(Rental and Related Measures\) Regulations 2020](#) where the definition of (i) qualifying commercial properties referred as "Type A Properties" can be found in Part 2 of the First Schedule of the Regulations and (ii) other non-residential properties referred as "Type B Properties" can be found in Part 3 of the First Schedule of the Regulations.

<sup>4</sup> Excluding any maintenance fee and service charges (which continue to be borne by the tenant)

## 1.1 [Tenant’s perspective] What is the amount of Rental Relief and Additional Rental Relief that the tenant is entitled to receive?

### Rental Relief

Under the Rental Relief Framework, the tenant is entitled to receive Rental Relief of 2 months (for qualifying commercial properties) or 1 month (for other non-residential properties) based on the contractual rent, excluding any maintenance fee and service charges.

The amount of Rental Relief to be received by the tenant amounts to the Rental Relief [2 months (for qualifying commercial properties) or 1 month (for other non-residential properties) contractual rent] net off the Property Tax Rebate for Year 2020 which the tenant has received from the landlord and any financial assistance<sup>5</sup> previously provided to the tenant.

For qualifying commercial properties, the amount of Rental Relief to be received by the tenant is:

<b>Amount of Rental Relief to be received by the tenant</b>	=	<b>2 months contractual rent<sup>4</sup> (April and May 2020)</b>	-	<b>Property Tax Rebate for Year 2020*</b>	-	<b>Any financial assistance previously provided to the tenant<sup>5</sup></b>
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\*Note:

- Property tax = 10%<sup>6</sup> x Annual Value<sup>7</sup> of the property
- Property Tax Rebate for Year 2020: The Singapore Government has given remission of property tax under Section 6(8) of the Property Tax Act to qualifying non-residential properties for the period from 1 January to 31 December 2020 in response to the COVID-19 pandemic.

For other non-residential properties, the amount of Rental Relief to be received by the tenant is:

<b>Amount of Rental Relief to be received by the tenant</b>	=	<b>1 month contractual rent<sup>4</sup> (April 2020)</b>	-	<b>Property Tax Rebate for Year 2020</b>	-	<b>Any financial assistance previously provided to the tenant<sup>5</sup></b>
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#### Illustration 1: Annual contractual rent is equal to Annual Value of the property

##### Fact pattern

- Annual contractual rent is \$96,000 (monthly contractual rent is \$8,000)
- The tenant bears maintenance fee and service charges separately
- Annual Value of the leased property is \$96,000
- Property Tax Rebate for Year 2020 is \$9,600 (assuming 100% property tax rebate; the landlord has passed on the Property Tax Rebate in full to the tenant)
- No additional financial assistance previously provided to the tenant

Amount of Rental Relief to be received by the tenant  
 = 2 months\* contractual rent – Property Tax Rebate for Year 2020  
 = (\$8,000 x 2) - \$9,600  
 = \$6,400

*\*assuming the leased property is a qualifying commercial property*

<sup>5</sup> For instance, any payment, or deduction of any amount due under the lease or license agreement, (i) given by the landlord to the tenant on or after 1 February 2020 but before the date of receipt of the copy of the notice of cash grant by the tenant; or (ii) undertaken by the landlord, before the date the notice of cash grant is issued to the landlord, to be given to the tenant.  
<https://www.iras.gov.sg/irashome/Schemes/Property/Government-cash-grant--announced-in-Fortitude-Budget-/>

<sup>6</sup> Non-residential properties such as commercial and industrial buildings and land are taxed at 10% of the Annual Value.  
<https://www.iras.gov.sg/irashome/Quick-Links/Tax-Rates/Property-Tax-Rates/>

<sup>7</sup> The Annual Value of buildings is the estimated gross annual rent of the property if it were to be rented out, excluding furniture, furnishings and maintenance fees. It is determined based on estimated market rentals of similar or comparable properties and not on the actual rental income received.  
<https://www.iras.gov.sg/IRASHome/Property/Property-owners/Learning-the-basics/About-Annual-Value/>

### Additional Rental Relief

Under the Rental Relief Framework, the tenant is entitled to receive Additional Rental Relief of up to 2 months (for qualifying commercial properties) or up to 1 month (for other non-residential properties) based on the contractual rent, excluding any maintenance fee and service charges.

The amount of Additional Rental Relief to be received by the tenant amounts to the Additional Rental Relief [2 months (for qualifying commercial properties) or 1 month (for other non-residential properties) contractual rent].

For qualifying commercial properties, the amount of Additional Rental Relief to be received by the tenant is:

<b>Amount of Additional Rental Relief to be received by the tenant</b>	=	<b>2 months contractual rent<sup>4</sup> (June and July 2020)</b>
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For other non-residential properties, the amount of Additional Rental Relief to be received by the tenant is:

<b>Amount of Additional Rental Relief to be received by the tenant</b>	=	<b>1 month contractual rent<sup>4</sup> (May 2020)</b>
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### **1.2 [Landlord's perspective] What is the amount of Rental Relief and Additional Rental Relief that the landlord is required to bear?**

#### Rental Relief

Under the Rental Relief Framework, the landlord is required to provide Rental Relief of 2 months (for qualifying commercial properties) or 1 month (for non-residential properties) based on the contractual rent.

The amount of Rental Relief to be borne by the landlord amounts to the Rental Relief [2 months (for qualifying commercial properties) or 1 month (for non-residential properties) contractual rent] net off the Property Tax Rebate for Year 2020 previously passed on to the tenant, and the Cash Grant receivable by the landlord from the Singapore Government.



For qualifying commercial properties, the amount of Rental Relief to be borne by the landlord is:

Amount of Rental Relief to be borne by the landlord	=	2 months contractual rent <sup>4</sup> (April and May 2020)	-	Property Tax Rebate for Year 2020 <sup>8</sup>	-	Cash Grant <sup>**</sup>	-	Any financial assistance previously provided to the tenant <sup>5</sup>
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**\*\*Note:**

- Cash Grant = 0.8 x (Annual Value of the property<sup>6,9</sup> / 12)

For other non-residential properties, the amount of Rental Relief to be provided to the tenant is:

Amount of Rental Relief to be borne by the landlord	=	1 month contractual rent <sup>4</sup> (April 2020)	-	Property Tax Rebate for Year 2020 <sup>8</sup>	-	Cash Grant <sup>#</sup>	-	Any financial assistance previously provided to the tenant <sup>5</sup>
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**#Note:**

- Cash Grant = 0.64 x (Annual Value of the property<sup>6,9</sup> / 12)

#### Illustration 2: Annual contractual rent is equal to Annual Value of the property

Fact pattern

- Same fact pattern as Illustration 1, and Cash Grant received from the Singapore Government is \$6,400

Amount of Rental Relief to be borne by the landlord

= 2 months\* contractual rent – Property Tax Rebate for Year 2020 – Cash Grant

= (\$8,000 x 2) - \$9,600 - \$6,400

= \$Nil

*\*assuming the leased property is a qualifying commercial property*

#### **Note**

In Illustration 2, the landlord is ‘fully supported’ by government assistance (i.e. Property Tax Rebate for Year 2020 and Cash Grant) in respect of the Rental Relief to be provided to the tenant. This is the case when the annual contractual rent is the same as the Annual Value of the property, and that the landlord/tenant has received 100% property tax rebate.

What happens if the annual contractual rent is different than the Annual Value of the property?

#### Illustration 3: Annual contractual rent is more than Annual Value of the property

Fact pattern

- Same fact pattern as Illustration 1, except for the following facts:
- Annual contractual rent is \$120,000 (monthly contractual rent is \$10,000)
- Cash Grant received from the Singapore Government is \$6,400
- No additional financial assistance previously provided to the tenant

Amount of Rental Relief to be borne by the landlord

= 2 months\* contractual rent – Property Tax Rebate for Year 2020 – Cash Grant

= (\$10,000 x 2) - \$9,600 - \$6,400

= \$4,000

**In this case, the landlord has to bear the difference of \$4,000 in rental relief to the tenant.**

*\*assuming the leased property is a qualifying commercial property*

<sup>8</sup> The Singapore Government has given remission of property tax under section 6(8) of the Property Tax Act (Cap. 254) to qualifying non-residential properties for the period from 1 January 2020 to 31 December 2020 in response to the COVID-19 pandemic.

<sup>9</sup> The Annual Value determined by IRAS at 13 April 2020

**Illustration 4: Annual contractual rent is less than Annual Value of the property**

Fact pattern

- Same fact pattern as Illustration 1, except for the following facts:
- Annual contractual rent is \$60,000 (monthly contractual rent is \$5,000)
- Cash Grant received from the Singapore Government is \$6,400
- No additional financial assistance previously provided to the tenant

Amount of Rental Relief to be borne by the landlord

= 2 months\* contractual rent – Property Tax Rebate for Year 2020 – Cash Grant  
= (\$5,000 x 2) - \$9,600 - \$6,400  
= (\$6,000)

**In this case, the landlord is allowed to retain the excess \$6,000 in Cash Grant.<sup>10</sup>**

*\*assuming the leased property is a qualifying commercial property*

Additional Rental Relief

Under the Rental Relief Framework, the landlord is required to provide Additional Rental Relief of 2 months (for qualifying commercial properties) or 1 month (for non-residential properties) based on the contractual rent.

The amount of Additional Rental Relief to be borne by the landlord amounts to the Additional Rental Relief [2 months (for qualifying commercial properties) or 1 month (for non-residential properties) contractual rent].

For qualifying commercial properties, the amount of Additional Rental Relief to be borne by the landlord is:

**Amount of Additional Rental Relief to be borne by the landlord**

=

**2 months contractual rent<sup>4</sup>  
(June and July 2020)**

For other non-residential properties, the amount of Additional Rental Relief to be borne by the landlord is:

**Amount of Additional Rental Relief to be borne by the landlord**

=

**1 month contractual rent<sup>4</sup>  
(May 2020)**

<sup>10</sup> It should be noted that the landlord is still required to pass on the property tax rebate in full. If the property tax rebate is more than the amount of rental reliefs to be given to the tenant, the landlord is required to pass on the full amount of property tax rebate but is able to retain cash grant.

The following scenario is provided on IRAS' website to illustrate the above:

Example: Owner A has a qualifying commercial property (e.g. shop) with Annual Value of \$60,000 as determined by IRAS at 13 April 2020. Owner A received (i) Property Tax Rebate of \$6,000 (property tax rate of 10% x Annual Value) and (ii) Government cash grant of \$4,000 (0.8 x Annual Value / 12). The total Government assistance is \$10,000.

**Scenario 3: Owner A rents the shop to an eligible tenant below market at \$1,000 per month (excluding maintenance fees and service charges) during the relief period 1 April to 31 July 2020.**

Owner A is required to provide rental waivers amount to \$1,000 x 4 = \$4,000. Owner A must pass on the excess Property Tax Rebate of \$2,000 (Property Tax Rebate of \$6,000 less rental waivers of \$4,000) to the tenant in accordance with the [Property Tax Rebate scheme](#). Owner A can retain the full cash grant amount of \$4,000.

## 2. Scope of this FRB

This FRB provides accounting guidance and key considerations on how to account for the following Government relief measures from the perspective of the landlord and the tenant:

- the Rental Reliefs by the landlord (Section 3)
- the Rental Reliefs by the tenant (Section 4)

## 3. Accounting for the Rental Reliefs by the landlord

<b>Recap</b>								
<i>As stated in Section 1.2 “[Landlord’s perspective] What is the amount of Rental Relief and Additional Rental Relief that the landlord is required to bear?”:</i>								
<i>For qualifying commercial properties, the amount of Rental Relief to be borne by the landlord is:</i>								
<b>Amount of Rental Relief to be borne by the landlord</b>	=	<b>2 months contractual rent<sup>4</sup> (April and May 2020)</b>	-	<b>Property Tax Rebate for Year 2020<sup>8</sup></b>	-	<b>Cash Grant</b>	-	<b>Any financial assistance previously provided to the tenant<sup>5</sup></b>
<b>Amount of Additional Rental Relief to be borne by the landlord</b>	=	<b>2 months contractual rent<sup>4</sup> (June and July 2020)</b>						
<i>For other non-residential properties, the amount of Rental Relief to be provided to the tenant is:</i>								
<b>Amount of Rental Relief to be borne by the landlord</b>	=	<b>1 month contractual rent<sup>4</sup> (April 2020)</b>	-	<b>Property Tax Rebate for Year 2020<sup>8</sup></b>	-	<b>Cash Grant</b>	-	<b>Any financial assistance previously provided to the tenant<sup>5</sup></b>
<b>Amount of Additional Rental Relief to be borne by the landlord</b>	=	<b>1 month contractual rent<sup>4</sup> (May 2020)</b>						

### 3.1 How does the landlord account for the Property Tax Rebate for Year 2020 and the Cash Grant?

The Property Tax Rebate for Year 2020 and the Cash Grant meet the definition of a government grant under SFRS(I) 1-20. Hence, both schemes are to be accounted for in accordance with SFRS(I) 1-20.

For guidance on the accounting for Property Tax Rebate for Year 2020, please refer to [FRB 5 COVID-19 Government Relief Measures: Accounting for Singapore property tax rebate from the perspective of the landlord and the tenant](#).

For guidance on the accounting for the Cash Grant, please refer to Section 3.1.1 “Accounting for Cash Grant”.

### **3.1.1 Accounting for Cash Grant**

#### **3.1.1A Does the Cash Grant meet the definition of government grant?**

The Cash Grant is an assistance given by the Singapore Government by way of transfer of resources from the government to the landlord. This meets the definition of a government grant under SFRS(I) 1-20.

#### **3.1.1B How does the landlord account for the Cash Grant in its financial statements?**

##### **Recognition:**

The Cash Grant (in addition to the Property Tax Rebate for Year 2020 as announced in the Unity and Resilience Budgets) is intended to support the landlord's payment of Rental Relief to the tenant.

Paragraph 7 of SFRS(I) 1-20 states that an entity shall not recognise government grants until there is reasonable assurance that it will comply with the conditions attached to them and the grants will be received.

The Rental Relief Framework was introduced on 26 May 2020 (as part of the Fortitude Budget) and the Amendment Act was substantially enacted on 16 June 2020. The landlord should assess whether it has the reasonable assurance as required by SFRS(I) 1-20 to receive the Cash Grant, including whether its tenant is eligible for the Rental Relief.

Where there is reasonable assurance, the landlord should accrue for a grant receivable (Cash Grant) and a deferred government grant income. The timing and manner in which the grant will be received should not affect the accounting for the grant.

Paragraph 12 of SFRS(I) 1-20 states that government grants shall be recognised in profit or loss on a systematic basis over the period in which the entity recognises as expenses the related costs for which the grants are intended to compensate. The landlord may regard the waiver of rental income (i.e. the Rental Relief) as the related costs for which the Cash Grant is intended to compensate.

##### **Presentation and disclosures:**

Under SFRS(I) 1-20 paragraph 29, the grant income can be presented either (1) separately as grant income or under "other income"; or (2) deducted in the reporting of the related expense. This accounting policy choice will need to be consistently applied by the entity.

Disclosure requirements of SFRS(I) 1-20 should also be considered<sup>11</sup>. As part of the disclosure requirements, where the grant income is deducted against the related expense, clear disclosures on the effects of the grant income on the related expense will need to be included in the notes to the financial statements.

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<sup>11</sup> SFRS(I) 1-20 paragraph 31 and 39

### 3.2 How does the landlord account for Rental Reliefs to be provided to tenant as required under the Rental Relief Framework?

The Rental Reliefs are to be accounted for in accordance with SFRS(I) 16.

Under the Rental Relief Framework, the landlord is required to provide up to 2 months of Rental Relief and up to 2 months of Additional Rental Relief to the tenant without any changes to any term or condition of the lease agreement.

This is a change in lease payments that is mandated by the actions of the Singapore Government through legislation.

As highlighted in the [educational material](#) published by the International Accounting Standards Board (“IASB”) titled “IFRS 16 and COVID-19 – Accounting for COVID-19 related rent concessions applying IFRS 16 Leases”:

*“Changes in lease payments that result from clauses in the original contract or in applicable law or regulation are part of the original terms and conditions of the lease, even if the effect of those clauses (arising from an event such as the COVID-19 pandemic) was not previously contemplated. In such a case there is no lease modification for the purposes of IFRS 16.”*

Accordingly, the Rental Reliefs which are mandated by the actions of the Singapore Government through legislation is not a lease modification under SFRS(I) 16, and is considered as a variable lease payment that is recognised in the period in which the event that triggers the payment occurs.

#### **Recognition:**

The landlord will need to estimate the amount of Rental Reliefs to be provided to the tenant, and accrue for the liability at the end of the reporting period. In estimating the amount of Rental Reliefs, the landlord will need to evaluate which tenant meets the Eligibility Criteria (see Section 1 “Background”).

As the landlord is required to provide Rental Reliefs for the months of April to July 2020 for qualifying commercial properties (the months of April and May 2020 for other non-residential properties), the landlord should recognise the liability and corresponding charge in profit or loss in those respective months.

#### **Presentation and disclosures:**

Under the Rental Relief Framework, the landlord has a legally enforceable right to set off the obligation against any recognised receivable from the tenant. If the landlord intends to settle the recognised amounts on a net basis, the landlord shall present the obligation for Rental Reliefs as an offset against the recognised receivable.

As part of the disclosure requirements under SFRS(I) 16, the landlord should ensure sufficient information is disclosed in the financial statements to give a basis for users of financial statements to assess the effects that leases have on the financial position, financial performance and cash flows of the entity.

## 4. Accounting for the Rental Reliefs by the tenant

### Recap

As stated in Section 1.1 “[Tenant’s perspective] What is the amount of Rental Relief and Additional Rental Relief that the tenant is entitled to receive?”:

For qualifying commercial properties, the amount of Rental Relief to be received by the tenant is:

$$\text{Amount of Rental Relief to be received by the tenant} = \text{2 months contractual rent}^4 \text{ (April and May 2020)} - \text{Property Tax Rebate for Year 2020}^8 - \text{Any financial assistance previously provided to the tenant}^5$$

$$\text{Amount of Additional Rental Relief to be received by the tenant} = \text{2 months contractual rent}^4 \text{ (June and July 2020)}$$

For other non-residential properties, the amount of Rental Relief to be received by the tenant is:

$$\text{Amount of Rental Relief to be received by the tenant} = \text{1 month contractual rent}^4 \text{ (April 2020)} - \text{Property Tax Rebate for Year 2020}^8 - \text{Any financial assistance previously provided to the tenant}^5$$

$$\text{Amount of Additional Rental Relief to be received by the tenant} = \text{1 month contractual rent}^4 \text{ (May 2020)}$$

### 4.1 How does the tenant account for the Property Tax Rebate for Year 2020?

The Property Tax Rebate for Year 2020 meets the definition of a government grant under SFRS(I) 1-20. Hence, it is to be accounted for in accordance with SFRS(I) 1-20.

For guidance on the accounting for Property Tax Rebate for Year 2020, please refer to [FRB 5 COVID-19 Government Relief Measures: Accounting for Singapore property tax rebate from the perspective of the landlord and the tenant](#).

### 4.2 How does the tenant account for Rental Reliefs to be received from the landlord as required under the Rental Relief Framework?

Similar to the accounting Rental Reliefs by the landlord, the Rental Reliefs are to be accounted by the tenant in accordance with SFRS(I) 16.

#### Recognition:

The tenant will need to estimate the amount of Rental Reliefs to be received from the landlord, and accrue for the receivable at the end of the reporting period. In estimating the amount of Rental Reliefs, the tenant will need to evaluate whether it meets the Eligibility Criteria (see Section 1 “Background”).

As the tenant will receive Rental Reliefs for the months of April to July 2020 for qualifying commercial properties (the months of April and May 2020 for other non-residential properties), the tenant should recognise the receivable and corresponding gain in profit or loss in those respective months.

**Presentation and disclosures:**

Under the Rental Relief Framework, the tenant has a legally enforceable right to set off the receivable against the lease liability. If the tenant intends to settle the recognised amounts on a net basis, the tenant shall present the receivable for Rental Relief as an offset against the lease liability.

As part of the disclosure requirements under SFRS(I) 16, the tenant should ensure sufficient information is disclosed in the financial statements to give a basis for users of financial statements to assess the effects that leases have on the financial position, financial performance and cash flows of the entity.

**Application:**

Companies had to apply judgment in determining the appropriate accounting for the Rental Reliefs and this FRB is intended to provide guidance for preparers in making that judgment. It is not intended to suggest that accounting judgments made prior to the issuance of the FRB are inappropriate or would need to change as a result of this FRB.

## For reference: ISCA Financial Reporting Codification Framework

In November 2019, ISCA issued the ISCA Financial Reporting Codification Framework (Framework). The Framework establishes a formalised categorisation, degrees of authority and a due process for future issuance of ISCA's technical documents. It provides credence to ISCA's technical content, promulgates ISCA's views on the application of accounting standards as well as promotes quality, consistency and best practices in financial reporting.

The Framework is summarised in the table below.

Category	Nature	Degree of authority	Due Process	Highest level of approval
1. Financial Reporting Practice ( <b>FRP</b> )	Recommended best practices for financial reporting for specific industries, sectors or transactions	Expected to apply	Public consultation required	ISCA Council
2. Financial Reporting Guidance ( <b>FRG</b> )	Technical guidance, views and insights on specific financial reporting issues for specific industries, sectors or transactions	Expected to follow or explain departures	Public consultation required	ISCA Financial Reporting Committee (FRC), with authority delegated by the ISCA Council
3. Financial Reporting Bulletin ( <b>FRB</b> )	Technical bulletin containing discussions and highlight of emerging topical financial reporting issues	For information and educational purposes	Public consultation not required	ISCA FRC

For more details on the Framework and the guidance issued under the Framework, please refer to the following:

- Framework – <https://isca.org.sg/tkc/fr/financial-reporting-codification-framework/>
- FRG – <https://isca.org.sg/tkc/fr/financial-reporting-guidances/>
- FRB – <https://isca.org.sg/tkc/fr/financial-reporting-bulletins/>



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