



In partnership with



DEMYSTIFYING XBRL

Produced by the IT Faculty and the Tax Faculty



HMRC, XBRL & CORPORATION TAX E-FILING

For submissions made after 31 March 2011

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1. INTRODUCTION

When Lord Carter of Coles reported on his review of HM Revenue & Customs' Online Services in 2006 (www.hmrc.gov.uk/budget2006/carter-review.pdf), he recommended that all statutory business tax returns should be filed electronically by 2012 – and the transition is already well underway.

For many organisations the next major milestone on the road to mandatory e-filing relates to corporation tax (CT). All CT returns (forms CT600, computation and entity accounts) for accounting periods ending after 31 March 2010 and submitted after 31 March 2011, must be filed online, through the Government Gateway, in a special format using the eXtensible Business Reporting Language, better known as XBRL.

Filing on paper will not be acceptable after 31 March 2011 and, from this date onwards, companies will also be required to make their CT and related payments electronically. But it is important to note that these changes will not have an impact on the underlying tax legislation: this will still require delivery of a company tax return and specify the minimum content comprising that return.

This transition has already created challenges for HM Revenue & Customs (HMRC) and has resulted in the specially developed XBRL variant iXBRL (see box 1 in section 2) being prescribed. Between now and 31 March 2011 the transition will also create challenges for those required to submit statutory CT returns, computations and the associated legal entity accounts.

Specialist developers of accounts production and taxation software are already working on the changes needed to make their products XBRL and iXBRL compliant before the 2011 deadline. However, a great many organisations use Microsoft Word and/or Excel to produce their entity accounts and this is an area where compliance will create greater challenges.

HMRC has issued a range of guidance (see section 6). By the time members have finished reading it and this ICAEW guide, they should understand the requirements (and challenges) of online filing and iXBRL, and appreciate the impact this transition can have on statutory compliance and wider business processes within their own organisations and, where appropriate, those of their clients.

2. DEFINING XBRL

The eXtensible Business Reporting Language can be confusing. Even the name is misleading, because XBRL is not a language, but a 'standard' for describing financial data based on XML (which uses tags to define the structure and content of data).

These tags work in a similar way to bar codes; so XBRL makes it easier to handle different items of financial information, in the same way that bar codes make it easier to handle assets or manage the supply chain.

XBRL can be used to provide unique identifying tags such as profit before tax, turnover, gross profit, tangible fixed assets or basis of opinion in the auditor's report. XBRL tags can also provide a range of information relating to an item, such as whether it is a debit or credit, a monetary item, which period it relates to, in what currency it is stated and so on.

XBRL tags can also be used to show how financial items are calculated or related to one another (for example equity = assets – liabilities, or gross profit = turnover – cost of sales) and identify the categories that an item belongs to for organisational or presentational purposes, such as whether it relates to an income statement, the balance sheet or notes to accounts.

As there are many thousands of different XBRL tags, these are pre-defined using special dictionaries called taxonomies (see box 2 and section 5.4) and any organisation or individual that wants to apply, read and process these tags requires software that has been specially designed or modified for this purpose.

FROM XML THROUGH XBRL TO iXBRL

The eXtensible Markup Language XML was created so that richly structured documents could be used over the web. There is no pre-defined tag set for XML, because it is a 'meta-language' that provides a facility to define tags and the structural relationships between them and to describe and analyse markup languages – such as XBRL.

XBRL was designed to make it easier for computer software to automatically communicate, exchange, read, process and analyse financial information (as data), so it cannot easily be 'read' by people and XBRL tagged files cannot easily be used to reproduce a financial source document in its original format.

HMRC has overcome this by requesting files in Inline XBRL (iXBRL). As it combines HTML (a text-based language designed to display data) and XBRL tags, people can open iXBRL files (using a web browser) and see the original content and format of a document, while the tagged XBRL data can be stripped out and automatically processed by software.

3. PUTTING XBRL INTO CONTEXT

XBRL is being adopted by numerous governments, regulators, companies and organisations across the world. Several European regulators and other information gatherers have already made XBRL their

preferred or mandatory format for receiving data. In 2009 the Securities and Exchange Commission (SEC) in the United States committed to the phased, but ultimately mandatory, transition to XBRL for filing quarterly and annual financial results.

However, it has taken years to reach this critical mass. XBRL was first conceived in 1998, but developing prototypes, creating a steering committee made up of representative bodies, software and accountancy firms, and then agreeing and developing the various national, international and specialist dictionaries (taxonomies) required before software developers could create or modify the software required to exploit XBRL, has been complex and time-consuming.

XBRL TAXONOMIES

The definitions for XBRL tags are to be found in special dictionaries called taxonomies. There are a number of taxonomies available and under development, because different taxonomies are (typically) required for different financial reporting processes, jurisdictions and statutory financial reporting requirements – some individual organisations may even define their own extension taxonomies for management reporting purposes.

These taxonomies have been developed by various groups of stakeholders. You can learn more about them and everything else related to XBRL, by visiting the websites of the consortia XBRL International (www.xbrl.org) or XBRL UK (www.xbrl.org/uk).

4. THE BENEFITS OF XBRL

Regulatory authorities (in the UK and beyond) are increasingly making the use of XBRL mandatory for statutory reporting, as it can bring significant benefits to many stakeholders. Governments expect time saving efficiencies, lower operating costs, more flexible and resilient computer systems and less manual processing and error correction. Resources can then be refocused on more complex activities such as risk assessment and customer support. Ultimately, this should directly and indirectly improve services for taxpayers.

However, the potential gains for individual and business taxpayers go way beyond this. XBRL can make the analysis, publishing, use, re-use and exchange of finance-related information easier and more efficient, both inside and outside the organisation. It can help to improve the usability and transparency of annual reports, financial statements and more, for accountants, analysts, investors, regulators and myriad other stakeholders.

Searches for, or analyses of, information that would otherwise take hours to manually extract, compile, sort,

summarise and filter can be completed with XBRL in a fraction of a second. So as well as enabling taxpayers to fulfil their tax compliance obligations accurately, efficiently (and eventually) more cost effectively, holding financial information in XBRL can offer useful benefits at the various stages of reporting, analysis, review and comparison in-house, by enabling businesses to:

- Automate costly manual processes;
- Gain faster access to more information;
- Handle data and data queries more reliably, accurately and consistently;
- Improve analysis, validation and scenario management;
- Provide better quality information and decision-making.

So XBRL is on its way to becoming the standard for statutory financial reporting and may well emerge as the 'de facto' world standard for handling business and financial data.

Undoubtedly though, most of these benefits lie in the future – even for larger businesses.

5. ISSUES WITH THE NEW FILING REQUIREMENTS

Few accountants in business or practice will need to understand the bits and bytes of XBRL in order to meet the corporation tax compliance needs of the organisations they work with (as agents) or for (as employees), as they will rely on the support of one or more of the following:

- Commercial or customised final accounts production software;
- Corporation tax computation software;
- The HMRC template-based online filing tool for submitting short form CT600 (suitable for companies with straightforward tax affairs only);
- Template-based workbooks, ready tagged by software suppliers (for accounts to be transferred into);
- Conversion software to take Microsoft Excel and Word documents and embed XBRL tags into them and create the iXBRL output required by HMRC;
- Financial reporting solutions offering built-in XBRL tagging and iXBRL output;
- Providers offering outsourced XBRL tagging services;
- Providers offering XBRL consulting and other specialist support services.

But the working practices of many accountants will be impacted by the transition to iXBRL for CT e-filing (see

sections 6 and 7) and this raises a number of technical, practical and procedural issues that must be considered.

5.1 Filing formats

The online CT submission pack filed through the Government Gateway will consist of the following attachments:

- Corporate Tax Return form (Form CT600) → in XML
- Corporation tax computation → in iXBRL
- Legal entity accounts (UK GAAP or IFRS) → in iXBRL
- Other supporting schedules → in PDF

The original return and accompanying schedules must be submitted in these formats. Any amended returns or additional information sent to HMRC after the original return has been filed should all be submitted online in PDF format.

So taxpayers and/or their agents will need their own solutions or outsourced software and services to deal with:

- Accessing the Government Gateway to file online (e-filing);
- Producing CT600 return forms in XML;
- Converting and tagging corporation tax computations in iXBRL and converting/ attaching other supporting schedules in PDF format;
- Creating, and/or converting and tagging entity accounts in iXBRL.

Companies that are currently filing online, albeit using PDF attachments to file the accounts and computations, will already have access to the Government Gateway.

HMRC has issued the following guidance on which accounts will need to be filed using iXBRL:

- Companies preparing accounts under the Companies Act 2006 and businesses that have to prepare accounts under the legislation governing certain financial institutions such as Building Societies, Friendly and Industrial and Provident Societies, will need to file their accounts using the iXBRL standard.
- Entities incorporated under the law of a non-UK country but which are UK resident for tax purposes will need to deliver their corporation tax return online and file accounts using iXBRL.
- Non-resident companies trading in the UK through a permanent establishment must submit any trading or profit and loss account and any balance sheet of the UK branch or agency using iXBRL.
- Unincorporated associations (such as clubs, voluntary organisations etc.) must submit their corporation tax computations using iXBRL, but they can choose to

send their accounts using either iXBRL or as a PDF attachment.

- Parent companies must send individual accounts using iXBRL but may choose to send their Group accounts as a PDF. A single consolidated account can be submitted, if it contains the iXBRL information about the parent company that would have been provided by iXBRL tagged individual company accounts.
- Insolvent companies will not usually need to make a formal return.
- Most charities will not have to file their accounts using the iXBRL standard, but those incorporated within the Companies Act (including trading subsidiaries) will be required to.

A number of taxonomies are currently relevant for the tagging and filing of iXBRL corporation tax return forms, computations and legal entity accounts and these are covered in section 5.4. HMRC has yet to clarify which taxonomy must be used to tag some accounts, such as those prepared using foreign GAAP and UK branches or permanent establishments. An extended UK IFRS banking taxonomy was released recently and further additional industry sector extensions are due out shortly for investment funds, mining, oil and gas and insurance.

5.2 Software

For many companies, particularly larger ones, the CT600 forms and tax computations will be prepared using tax software. HMRC has published a list of recognised providers (www.hmrc.gov.uk/efiling/ctsoft_dev.htm) which have available iXBRL-enabled CT filing products and iXBRL-enabled accounts production products.

Taxpayers that do not currently make use of tax software (for example, those which prepare corporation tax computations in Excel and complete forms CT600 on paper), will need to change their approach in order to file online. They will need to buy specialist software, use the ready-tagged templates being made available by HMRC, or outsource all or part of the process. Similarly, a change of approach will be required for the XBRL tagging and iXBRL output of company accounts.

Software solutions range from comprehensive ready-tagged templates being made available by HMRC and software vendors (where computation and accounts information can be manually re-inputted into pre-defined workbooks), to end-to-end financial reporting solutions with tagging and iXBRL output built into the core solution. Conversion software products are also available (and more are being developed) that will embed XBRL into entity accounts in Excel and/or Word documents and convert the output to the required iXBRL format.

5.3 Registering with HMRC for online filing

Taxpayers are required to register with HMRC Online Services for corporation tax if they have not already done so. They should then use either the HMRC Online Services product (suitable for those filing Forms CT600 and supplementary pages CT600A, CT600E and CT600J only) or HMRC-approved commercial tax software to file their return online (see www.hmrc.gov.uk/efiling/ctsoft_dev.htm for a list of approved providers)

The HMRC online filing software, which is downloadable, is aimed at small companies and organisations with straightforward affairs. It allows a company or agent to complete and submit:

- Company accounts using an accounts template or by attaching accounts in the correct format;
- Computations using a computations template or by attaching computations in the correct format;
- CT600 (Short) return form, together with:
- Supplementary page CT600A (Loans to participators by close companies);
- Supplementary page CT600E (Charities and Community Amateur Sports Clubs);
- Supplementary page CT600J (Disclosure of tax avoidance schemes).

Agents can use this product although it is limited and is unlikely to be sufficiently sophisticated for use by a commercial practice.

Before agents can act on behalf of their clients in relation to corporation tax affairs they need to go through a number of processes. These range from registering as an agent (if they have not done so already) to arranging online agent authorisation for corporation tax. Guidance on what is required can be found at www.hmrc.gov.uk/ct/ct-online/file-return/online.htm.

5.4 Tagging & taxonomies

HMRC has published lists of items in the accounts and corporation tax computations that it wants to be tagged. These lists are like dictionaries and are called taxonomies. Not every number or disclosure needs to be tagged, only those on these lists should they be present in your accounts.

Taking the accounts for example: a company could have prepared these using either UK GAAP or IFRS. The lists of all of the possible financial items which a company might need to show in its accounts under each of these standard reporting regimes are in two separate taxonomies.

HMRC has looked at the full library of possible tags and has now published a minimum tagging list for UK GAAP accounts and UK IFRS accounts.

It will eventually require all items in the accounts to be tagged, probably from April 2013. Until then, the expectation is that the minimum tagging lists for both the UK GAAP taxonomy and the UK IFRS taxonomy will be relatively static. All taxonomies are revised periodically, typically annually, to recognise legislative changes and new accounting standards, so the minimum tagging lists may also be subject to revision to reflect these changes.

Taxonomy	Full List	Minimum/Mandatory Tagging List
UK GAAP (for Accounts)	5,292	1,253
UK IFRS (for Accounts)	3,725	1,629
UK IFRS Banking extension	717	N/A
HMRC Taxonomy (for Corporation Tax Computation)	4,561	1,360

In addition, the UK Common Data taxonomy (a further 1,028 elements, not subject to the minimum tagging requirement), which is a list of things like the name of the entity, language, currency and reporting period, has been incorporated into both the UK GAAP and UK IFRS taxonomies. The above numbers are as they stand in January 2010; they may change.

The minimum tagging requirement means that for each line in the accounts, a tag must be attached if the item or financial reporting concept in question appears in the minimum tagging list of the appropriate taxonomy.

In practice, most sets of accounts will use far fewer than the number of tags in the minimum tagging list. You have to use a particular tag only if the thing that it is labelling appears in your set of accounts.

As mentioned in 5.1 above, HMRC has yet to clarify which taxonomy must be used to tag some accounts, such as those prepared using foreign GAAP and UK branches or permanent establishments.. There are also issues about the extent of tagging needed where profit and loss account detail is included as part of the tax computation rather than in the accounts. More information will be provided by the Tax Faculty through its free weekly newswire as it becomes available (register at www.ion.icaew.com/TaxFaculty).

Also, some unfortunate organisations will need to do the tagging for UK GAAP and then repeat the exercise for UK IFRS when they make the transition from the former to the latter. Some software products are likely to have tools built in to assist with this process, so it is

a point to check before making a decision about which to buy.

5.5 Joint filing with Companies House

As it currently stands, companies will need to file company accounts separately with HMRC and Companies House, but the two are working together to align their services and create a joint filing facility which may reduce the administrative burden for some businesses.

Once systems at both HMRC and Companies House can receive all accounts in iXBRL, companies will be able to make a single online transmission over the internet for a company tax return (including attachments) and accounts for the public record.

Companies House will add iXBRL software filing for unaudited full accounts to its service by the summer of 2010 and then continue to develop its iXBRL capability for all the main accounts types by summer 2011.

A statement on the joint iXBRL plans of HMRC and Companies House can be found at www.hmrc.gov.uk/ct/ct-online/joint-filing-statement.htm.

6. WHAT SHOULD I DO NOW?

Complying with these changes will have a direct impact on finance processes and compliance costs for many businesses and firms of accountants, so it is important for ICAEW members to appreciate the requirements and start preparing sooner rather than later.

Reading the guidance provided by HMRC is a good place to begin (see section 9 Further Information) and many accountants will find XBRL - when to tag, what to tag and how to tag (www.hmrc.gov.uk/ct/ct-online/file-return/online-xbrltag.pdf) an invaluable document to read before going on to:

- Establish the extent to which the business is affected;
- Identify any necessary changes and the preferred approach;
- If necessary, decide who will be responsible for addressing and managing the impact.

Many small companies may find that they need to make minimal changes, particularly if they already outsource the accounts preparation process to an agent or adviser and will be relying on them to undertake the necessary e-filing on their behalf.

Companies that currently provide their accounts to their external accountant as a PDF file may find that the firm will want to receive it as an MS Word or Excel file, so that it can be tagged more easily before submission.

The change management process will be more onerous for agents that produce accounts on behalf of clients and larger, more complex organisations, that produce

their entity accounts in-house. They will need to consider a much broader range of issues (as discussed in section 5) and assess all of the available options.

Tax software that will produce CT600 returns in XML and computations in iXBRL, as well as provide e-filing functionality, should be evaluated and implemented well in advance of the deadline. Users will need to establish when the iXBRL and e-filing upgrades are due for release and if they are included in the existing licence costs. Alternatively, appropriate steps may need to be taken to outsource the work.

For entity accounts, there appear to be four approaches. Organisations can:

- Use the HMRC product 'Online Tax Return – CT' to ensure that accounts are submitted in the required iXBRL format (though this is not suitable for all businesses);
- Take statutory accounts prepared using MS Word or MS Excel and then embed the XBRL tags and produce the necessary iXBRL file using standalone or bolt-on conversion/tagging/adaptor software;
- Modify the statutory accounts preparation process to produce financial reports using accounts production or end-to-end financial reporting software that offers built-in XBRL tagging and iXBRL output;
- Use a specialist outsourced provider to tag the company's final accounts.

Decisions about how to tag accounts, at what stage in the production process and who will be responsible (whether this means selecting an individual or choosing between the finance or the tax department) are important – as is selecting the most efficient and cost-effective solution with regard to the short term and the longer term.

Converting Microsoft Word or Excel for UK statutory accounts production may offer the most commercially viable solution with the least disruption. However, some organisations may see the transition to XBRL as an opportunity to make the accounts preparation process more efficient by replacing the current approach with a fully automated end-to-end solution. Either way, the implications will need to be factored into IT, finance and tax function plans.

7. IMPLEMENTATION CONSIDERATIONS

The main impact of the new requirement is unlikely to be filing the corporation tax return and computations, but rather on converting or preparing company accounts in iXBRL, and assigning the relevant tags from the appropriate taxonomies, so that these accounts can be included with the tax return to complete the filing.

Most affected organisations will find that the major effort is needed in the first year of the new process, because they will need to assign tags correctly, review and test the files. Most software products require each report to be tagged individually (even if the tags in that report are retained for future years) and therefore every report needs to be maintained separately going forward.

Large groups may find this unnecessarily disruptive and may prefer a solution where a template is tagged and the tagged document is recycled over and over again. It is estimated that it would take about one day for an experienced person with strong disclosure accounting knowledge to tag, review and test one standard trading 20 page set of accounts, which may necessitate additional resource and add to the already tight time lines towards submission of tax returns.

All companies are encouraged to review the taxonomies and start tagging their computations and accounts early and test their submissions in good time before the deadline, perhaps using the period prior to the filing deadline as a pilot to set up templates ready for the first online filing period in iXBRL.

After discussions with the profession, HMRC has announced a two year soft landing period during which companies that have problems e-filing using iXBRL will not be penalised provided that they have done their best. At the time of writing, the precise details of this and what will, in practice, constitute a 'reasonable excuse' are still being agreed.

8. CONCLUSION

Although the decisions businesses face around preparing for online filing in iXBRL may not necessarily require knowledge of XBRL, for larger businesses the implications of the new requirements may be far reaching. They can have an affect on the organisational structure of the business, the statutory accounts production process, software and IT policy, tax compliance and potentially impact other areas in the business too.

Companies with April 2010 period-ends which file after 31 March 2011, will be the first that will need to comply. The Government Gateway will reject the whole filing if any of its parts are not validly formed or do not pass its tests.

As this could lead to late filing penalties and in future may have an impact on the risk profile allocated by HMRC, all affected organisations should be preparing for the new system well before the 2011 deadline. Accountancy firms that act as agents, medium sized organisations and larger, more complex, businesses will need to devote proportionally more time and resources to organising their clients or other companies within a group.

However, those who file 2010 accounts early (before 1 April 2011) will be able to use the old system, and then not have to worry about iXBRL until their 2012 filing.

It is vital for ICAEW members to ensure that the organisations they work with (as agents or advisers) or for (as employees) are aware of the challenges ahead, the importance of preparing and the need for everyone involved to allow sufficient time for reviewing and testing to ensure that the new filing process will work.

9. FURTHER INFORMATION

HMRC has issued a range of guidance related to the mandatory electronic filing of corporation taxes from 1 April 2011. This includes:

- *XBRL – when to tag, what to tag, how to tag*
<http://www.hmrc.gov.uk/ct/ct-online/file-return/online-xbrltag.pdf>
- SI 2009 no 3218 *Corporation Tax: the Income and Corporation Taxes (Electronic Communications) (Amendment) Regulations 2009*, which came into force on 1 January 2010.
http://www.england-legislation.hmso.gov.uk/si/si2009/uksi_20093218_en_1
- *Corporation Tax Online: the benefits and how to sign up*
<http://www.hmrc.gov.uk/ct/ct-online/file-return/online.htm>
- *Corporation Tax for Agents and Advisers*
<http://www.hmrc.gov.uk/agents/started-ct.htm>

Between now and the 2011 deadline HMRC will continue to issue notes, leaflets, mail shots and guidance on this matter.

The following websites may also prove useful:

- Lord Carter's review of HM Revenue & Customs online services
<http://www.hmrc.gov.uk/budget2006/carter-review.pdf>
- HMRC approved Corporation Tax Online software and online forms
http://www.hmrc.gov.uk/efiling/ctsoft_dev.htm
- Joint HMRC and Companies House statement
<http://www.hmrc.gov.uk/ct/ct-online/joint-filing-statement.htm>
- XBRL UK and links to UK taxonomies as they are released
<http://www.xbrl.org/uk/>

KPMG in the UK has a large team of XBRL specialists comprising XBRL developers and XBRL consultants responsible for assisting clients to comply with the XBRL filing requirements.

Typical activities include implementing XBRL technology solutions, implementing required process change, setting-up accounts templates and tagging accounts to appropriate taxonomies.

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