

XBRL and iXBRL



What's new?

New requirements to file accounts and corporation tax returns on-line mean that these are likely to be more expensive to prepare in the future. Some may be able to avoid the issue at least for one year, by filing before the new rules apply, and others will need to allow more time for the additional work to be done. This article explains the changes in more detail and identifies what action may be appropriate.

What are XBRL and iXBRL?

How am I affected?

Is the timetable fixed?

Conversion software

What do I need to do?

What's new?

HM Revenue & Customs (HMRC) require corporation tax returns and company accounts for accounting periods ended after 31 March 2010 which are submitted on or after 1 April 2011 to be filed online in XBRL format.

Corporation tax and related payments must also be made electronically, and in due course accounts submitted to Companies House will also need to be in XBRL format. There are exceptions for organisations not required to submit accounts to Companies House.

What are XBRL and iXBRL?

XBRL is e**X**tensible **B**usiness **R**eporting **L**anguage. Under XBRL each piece of data in a file is tagged with an identity. This enables files to be universally read and adapted to any nation's accounting standards.

Regulatory bodies in the US, Japan, Australia, The Netherlands and elsewhere have already adopted XBRL. Computers can read an XBRL report and select specific data, collate it, analyse it and exchange it with other computers. Some commentators have pointed out that submission of information in this format

will make it much easier for HMRC to benchmark and compare one company's figures with those of another in the same sector or the sector's average.

iXBRL enables XBRL tagged data to be embedded within standard HTML documents - rather like a web page - so that the accounts can be read as normal and also by a computer.

How am I affected?

As mentioned above, in due course your company accounts and corporation tax return will have to be submitted to HMRC on line and in XBRL format.

The main UK suppliers of accounts preparation and corporation tax software are working to make their products XBRL compliant, so that the tagging will become part of the production process. We know that this will mean accounts will take us more time to prepare, but at the moment it is hard for us to assess the overall impact, as the relevant integrated software has not actually been released!

We will obviously work hard to keep any additional costs for our clients as low and as manageable as possible.

Is the timetable fixed?

At the beginning of February 2011, the main accounting and tax professional bodies in the UK jointly wrote to HM Treasury urging them to delay mandatory submission of corporation tax returns in iXBRL format. They said that delays in software availability and implementation problems would hit small businesses particularly hard. HMRC had previously

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given assurances that if the accounts production software was not ready and working they would amend the implementation of the new rules, especially as penalties are charged where returns are late or incomplete.

The Exchequer secretary to the Treasury has rejected calls to push back the implementation deadline and it remains 1 April 2011. However, a 'soft landing' has been promised and those who have a 'reasonable excuse' will not face any penalties. HMRC's guidance on what constitutes a 'reasonable excuse' is awaited.

Conversion software

At the present time, a number of 'stop-gap' software programs have been released. These convert as much as possible of the files produced by the existing accounts software packages into iXBRL format ready to be tagged, and highlight where additional 'manual' conversion and tagging is needed.

We hope to avoid this interim measure where possible as although the cost will obviously be different for each set of accounts, the extra work could prove material with additional fees as a result.

Once the integrated accounts preparation software is available we will not need to use the conversion software for accounts we produce.

What do I need to do?

If your accounts for periods ending after 31 March 2010 have already been done, or can be done quickly, then they and the corporation tax returns and computation should be submitted to HMRC before 31 March so that they are not caught by the new rules.

If you prepare your own statutory accounts which will be submitted to HMRC after 31 March this year, they will

need to be XBRL compliant. Unless you propose acquiring the conversion software yourself and dealing with this in house, you will need outside help. We can assist with this process and convert some files, for example those in Microsoft Word format, and add any additional tagging which is necessary. Please allow more time for this to be done, well ahead of any filing deadlines.

If you would like specific advice or further information please speak to your usual Shipleys contact.

Specific advice should be obtained before taking action, or refraining from taking action, on any of the subjects covered above.

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