



What does iXBRL mean for you and how can Dean Statham help?

HM Revenue and Customs (HMRC) will soon require all companies to file financial statements and corporate tax returns online in iXBRL format (inline eXtensible Business Reporting Language).

When will it affect me?

Online filing is now mandatory for all corporation tax returns for accounting periods ending after 31 March 2010, filed after 31 March 2011. Paper returns will no longer be accepted and online returns must be filed using the iXBRL standard reporting language.

Initially this only applies to information sent to HMRC, however Companies House has announced its intention to require companies to file their financial statements in iXBRL format from 2013.

What is iXBRL?

iXBRL is a new, electronic format for business information, which HMRC expects to provide benefits in the preparation, analysis and communication of business and financial data. With iXBRL format you have a document which has standard bar codes within it. The bar codes or 'tags' effectively convert everybody's financial statements and computations into a standard machine-readable template. iXBRL is becoming a global standard for financial reporting.

iXBRL is a new concept for most UK businesses. Tagging a tax return won't be too difficult but tagging the associated financial statements can be an onerous and complex task for anything other than the simplest accounts. The minimum list of tags for UK GAAP financial statements exceeds 1,200. The full list, which will be mandated from April 2013, is over 5,000 tags.

Who will be affected?

Nearly all companies will be required by HMRC to file financial statements and tax computations using iXBRL. The few exceptions are published on HMRC's website.

What solutions are available for tax returns and computations?

A number of software suppliers, including Dean Statham's third party tax software provider have developed software, which is now in the market and fully operational. Action will be required for computations which have previously been submitted without using a software package, or using a software package that isn't being upgraded to manage the required aspects of iXBRL. You may consider using Dean Statham to convert and tag your tax computations for you.

The accompanying financial statements will also need to be in iXBRL format to prevent potential rejection of your tax return. Financial statements require a separate solution to convert them into iXBRL format.

What solutions are available for financial statements?

The solutions for conversion of financial statements are more complex and will need some planning. Here are the options to consider.

Software embedded in accounting software – where the accounts production process uses a software package and the software developers are planning to provide an iXBRL solution, they either have or are working on a solution. However, this solution will still require some manual tagging to take place and the iXBRL accounts will have to be reviewed to ensure the tagging exercise has been successful and accurate.

Conversion – many companies produce financial statements using Word, Excel or desktop publishing packages. Solutions that enable Word documents to be converted to iXBRL documents are available, while solutions for other document types are being developed. This process, although electronic, is less successful than tagging embedded in accounting software and could require significant manual tagging to take place. Companies will need to plan for this in their accounts production cycles.

Outsourcing – the conversion process can be outsourced to organisations who will prepare the iXBRL document to be filed by the company. You may consider Dean Statham to outsource your accounts production and iXBRL tagging.

The options above will create additional work beyond that currently performed in the preparation of financial statements, at least for the first year of iXBRL filing. Software is currently only able to automate the production of iXBRL financial statements to a certain degree and some knowledge of iXBRL tags and accountancy would be needed to achieve a reasonable degree of accuracy.

What are the anticipated costs?

It is important to note that this is a new requirement imposed by HMRC and as described above will require a certain amount of manual intervention – often by senior staff. The costs of meeting this requirement will include the cost of software, the time taken to tag data and quality control processes. The time involved will vary depending on the complexity of your documents, eg the number of notes in your financial statements.

You should talk to your Dean Statham contact to understand how converting your tax computations and/or accounts to iXBRL will impact costs. We can assure you that we have the software and systems already in place and “tried and tested” to ensure that these additional costs are kept to a minimum.

What else do I need to consider?

For the first two years, HMRC is providing a ‘soft landing’ period, during which it does not intend to penalise companies, as long as a reasonable attempt at iXBRL documentation is made.

From April 2013, HMRC plans to substantially increase the number of tags that could be applied to iXBRL documents. Companies will also need to consider the implications of submitting financial statements to Companies House in iXBRL.

What should companies be doing in preparation?

Meeting HMRC’s requirements represents a significant challenge to companies and creates additional burden.

Although 1 April will soon be upon us, there is still time to consider your company’s options and track developments before committing to incurring any costs. Remember that it is the timing of when your tax return is sent to HMRC that determines when you have to produce iXBRL documents. For example, a period ended 31 December 2010 does not require submission to HMRC until 31 December 2011.

Since limited company financial statements should be filed with Companies House nine months after each company’s year end, a window of at least three months should be available for tagging until the company tax returns, including iXBRL financial statements are due for submission to HMRC.

How can Dean Statham help?

We have been working closely with HMRC and our software provider since iXBRL was announced and as a result have the processes and capabilities to help companies with the iXBRL filing requirements. To remove the need to maintain specialised software and expertise in-house, you should consider using Dean Statham to produce your accounts and submit your CT600 for you in the correct iXBRL format.

Richard Stonier	(01785) 238153
Susan Whiting	(01785) 238154
Jeremy Hodgkiss	(01785) 238155
Mike Heenan	(01785) 238153

What is Dean Statham’s solution for tax computations?

We have been filing company tax returns online, with PDF attachments, since 2009. In late 2010 we upgraded our software with the capabilities to create iXBRL computations and have already successfully filed a number with HMRC. Our tax staff are trained to address the additional work required to create iXBRL computations as efficiently as possible, while ensuring the information sent to HMRC continues to be high quality.

What is Dean Statham’s solution for financial statements?

Dean Statham can prepare your accounts and the iXBRL file for submission. Where accounts are produced by us using our standard template, additional fees should be minimised although there will still be a need to spend time reviewing the iXBRL file independently of the accounts.

For customised accounts format tailored to your specific requirements, the fee will increase substantially.

If you have historically prepared accounts in MS Word format then we can convert these to our standard template before running the tagging process.

We can also accept iXBRL files prepared by your team for submission to HMRC. However, we will not review your tagging unless you request this additional service. Bear in mind that files rejected by the HMRC systems could result in increased costs for the submission of your tax return.

How do I find out more about how Dean Statham can help me?

The impact will vary depending on your current processes and software used in the production of your tax computations and financial statements.

Please contact your usual Dean Statham representative to discuss how we can help you through this transition period.

The contact details for the Dean Statham partners are given below. We would be happy to discuss your specific iXBRL queries on a one to one basis.

rstonier@deanstatham.com
sjwhiting@deanstatham.com
jhodgkiss@deanstatham.com
mrheenan@deanstatham.com

Talk to us to discuss all your options and receive practical advice on whatever course of action you choose. We can also provide suggested timetables and fee quotes as required.