

# What does HM Revenue and Customs' (HMRC's) introduction of **iXBRL** mean for you and how can Grant Thornton help?

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HM Revenue and Customs (HMRC) has announced news of filing changes that will require all companies to file financial statements and corporate tax returns online in iXBRL format (inline eXtensible Business Reporting Language).

## **When does it come into effect?**

HMRC has announced that, "from 1 April 2011 for any accounting period ending after 31 March 2010, all Company Tax Returns must be filed online with accompanying financial statements and computations in iXBRL format".

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 an XML 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.

## **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 Grant Thornton's third party tax software provider, TCSL, have developed software, which is now in the market. 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.

While the tax software should create iXBRL tax computations and submit your tax return to HMRC, 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.

**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, will require some 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 organizations who will prepare the iXBRL document to be filed by the company.

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?**

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. Software is gradually becoming available in the market, so anticipated total cost estimates are emerging.

## **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. A lot of the software for creation of iXBRL financial statements, mentioned earlier, is still being developed to cater for the variety of types of financial statements and some of it will not be released until after 1 April 2011.

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 financial statements should be filed with Companies House six or 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 Grant Thornton help?**

We have been working closely with HMRC, Companies House and software developers since this concept was introduced. We have the services to advise you on how to address the issue in-house, and we also have our own solutions for iXBRL financial statements and tax computations that could address this problem for you.

## **What is Grant Thornton '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 many have already been successfully filed 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 Grant Thornton's solution for financial statements?**

Grant Thornton has developed a service that can convert Word format financial statements into the required iXBRL format. Our service is high quality, automated to the greatest extent possible, rather than manual tagging and can be tailored to our clients needs.

- We have selected the best software in the market to process the large volumes of work we expect while also ensuring we can provide the required levels of accuracy to our clients
- Our estimated pricing structure represents excellent value for money in the current marketplace
- Our clients can rest assured that we have solutions in place to meet HMRC's deadline, for those tax returns that need to be submitted shortly after 1 April 2011

## **How do I find out more about how Grant Thornton 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 Grant Thornton representative to discuss how we can help you through this transition period.

Alternatively, please contact our office location nearest to you for assistance which can be found on our website at [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).