

Running out of time

With just a few weeks to go before filing corporation tax in the iXBRL format is mandatory, Santhie Goundar examines where the profession and software providers are, as a fresh debate kicks off over whether advisers and software houses are ready

DEFINITIONS

➤ XBRL

eXtensible Business Reporting Language (XBRL) is a standard for reporting financial data that uses labels or “tags” that computers can interpret.

➤ INLINE XBRL (iXBRL)

HM Revenue & Customs has adopted the internationally recognised form of XBRL called inline XBRL (iXBRL), which allows the computer-readable tags to be attached to an electronic file which can also be read by people on screen or in printed form. This means that you don't have to change the content, style or layout of your accounts and tax computations, and that HMRC will be able to view your Company Tax Return exactly as you've submitted it.

Source: HM Revenue & Customs

The clock is ticking. HM Revenue & Customs is pressing ahead with plans to require UK companies from 1 April 2011 to submit their statutory accounts electronically, in a new data format known as “iXBRL” (or “Inline XBRL”). The iXBRL format has a number of advantages, not least because it renders elements of data in forms readable by both humans and computers, offering HMRC the chance to greatly enhance its ability to analyse and “risk-assess” taxpayer data (see “Definitions” box, below)

There is serious doubt, however, over whether the 1 April deadline is actually feasible.

Organisations filing their tax returns in the iXBRL format have, essentially, four choices:

- use a commercially produced software package for their

financial accounts production

- rely on their accountant/tax agent to prepare the iXBRL returns
- use a “tagging” software package on tax returns in an existing format such as Word
- outsource the “tagging” to a third party.

Whatever option is chosen depends on the software industry having products that are developed, tested and ready for use by 1 April – and this is very much in question. In a letter jointly submitted in February to David Gauke MP, exchequer secretary to the Treasury, the UK's leading accountancy and tax bodies expressed “deep concerns” about “the unacceptable burdens [being imposed] on businesses” by HMRC, along with recommended amendments to the current implementation plan. They demanded that the Government delay the date for mandation, particularly where iXBRL-compliant accounts are concerned.

ICAS, in particular, called for a period of “at least six months” from the mandation date where

“companies should be allowed to file their accounts in either iXBRL or PDF format, followed by a further year in which iXBRL-tagging requirements would be cut back from the proposed ‘minimum tagging’ to a reduced level”. Donald Drysdale, assistant director of tax at ICAS, says: “HMRC's plan relied for its success on key software vendors bringing an adequate choice of new products to market, and this presented developers with big challenges. Some key players have failed to deliver their iXBRL-accounts preparation solutions in adequate time before 1 April.”

At the time of writing, however, David Gauke is insisting the current plans for mandation remain in place. With weeks to go before iXBRL finally kicks off, however, the degree of readiness for both accountancy software vendors and practitioners varies greatly. Many vendors and firms will be ready for iXBRL, but it has also been suggested that some of the larger vendors had been hoping mandation would be delayed,

hence delays in bringing products to market; while some less prepared firms' attitudes have ranged from complacency to outright denial.

In recent weeks, furore broke out in the press regarding Sage and how its accounts production software will not support iXBRL capabilities in time for the 1 April deadline. While Nick Goode, head of marketing for the accountants division at Sage, refused to be drawn on an exact date for the product release, he confirmed it would happen “later this year”, insisting: “The timing's simply not right for us to release it. At present, other vendors have released solutions that make a lot of work for accountants. We seek to minimise that work so they can focus on accountancy, not technology. We're working as hard as we can to make ours as seamless as possible, making it a really powerful, long-term solution.”

In the absence of a compliant solution, Sage has made recommendations to its customers on what to do.



➤ Jon Martingale, associate product manager for Sage's accountants division, says: "Accountants should aim to file as many tax returns as possible before 31 March using their existing systems. This should give them time to take stock from 1 April onwards, decide which new systems they want to adopt and have time to get used to it."

Sage has, however, already released both a compliant corporation tax solution and an iXBRL-tagging solution powered by Onesource (part of Thomson Reuters) for its customers ahead of the deadline. The latter can be used to tag ready-made accounts such as those in Word document format, and, says Goode, will automate as much of the tagging as possible. "iXBRL creates a lot of change and we want to help clients manage it in the simplest way possible," Goode adds.

For Simon Warren, managing director of Caseware Ltd, the onset of iXBRL is a positive thing. "We've had the capability built into our software for the past five or six years," he explains. "But it had always been 'a solution looking for a problem' until now."

Caseware, which does not offer – nor has plans to offer – any corporation tax solutions or manual iXBRL-tagging tools, received HMRC recognition for its

accounts production software last October. "We're hoping to get more iXBRL reviewing tools out in the next couple of months," says Warren. "We're also doing well in moving accountants away from creating accounts in Word and onto automated accounting systems. It helps that our software is flexible – you can use Caseware in a similar way to Word."

Warren warns: "HMRC's message to firms has been, 'your software company will do all this for you', which I think has made many complacent. Then there's the odd practitioner in total denial... I've even met a few who are prepared to 'lie down under the tanks'."

"There also doesn't seem to be much support from HMRC – no helplines, for example – and if someone's built their own note, we can't always advise on how to tag it, as HMRC may want it tagged differently. We've tried to engage with clients and explain what to do, but iXBRL is not an easy technology to master."

Jerry Rihll, managing director of Digita (also part of Thomson Reuters), agrees: "iXBRL compliance is easily underestimated – it's a big and complex task. Accounts vary enormously, but legislation on iXBRL doesn't take that into account."

In addition to Digita's corporation tax solution, the company released two accounts solutions

towards the end of last year. "We wanted to give our customers as much choice and flexibility as possible, so one methodology for iXBRL-compliant accounts is through our accounts production software; the other is through our manual conversion tool. The advantage of the first is that the accounts are created in templates from the data stored in the database, so the software can tag the information automatically. The advantage of the manual conversion tool is that it supports anything; we recognise a lot of accountants don't use accounts production software to produce accounts, so you can import, say, Word accounts into it, go through figures and tag individual items yourself."

Rihll cautioned that whichever accounts solution a firm goes for, it has to be thought through. "It could take up to four or five hours for a set of accounts to be manually tagged, so if a firm wants to go down the route of manually tagging all their clients' accounts, costs and processes need to be considered, especially if cash is tight," he explained. "Firms also need to work out who is shouldering the compliance burden for iXBRL – themselves or the client – and ensure their engagement letters are updated to reflect this, and that professional indemnity insurance covers them."

One option Digita decided not to offer, however, was outsourcing. "A firm can outsource the iXBRL-tagging of files to a specialist vendor," explained Rihll. "Large firms such as KPMG and Deloitte also seem to be offering this. We decided not to go for it for several reasons: firstly, there's the issue around who is liable; secondly, there's the professional risk of filing, which can mean it's more expensive as you'd still need staff to review the work. Another issue is around data protection, and potential issues about data going offshore."

IRIS Accounting Practice Solutions, on the other hand, does have an outsourcing service. Managing director Phill Robinson explained: "We have four iXBRL-compliant solutions for our customers: our tax software package, which automates the tagging of the computations; our

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Jerry Rihll, managing director, Digita

SPRINGFORDS: SCOTTISH FIRM TRIES TO PREPARE FOR CHANGES



Springfords Chartered Accountants is a seven-partner firm with offices in Edinburgh and Livingston. Partner Alan Jones CA says his firm has been considering the issue for the past year.

He says: "We've had compliant corporation tax software for a while now, so we are familiar with iXBRL. Neither HMRC nor the auditing standards require us to provide assurance on iXBRL-tagging of documents, so we've adjusted our engagement letters – although we will do our utmost to ensure the tagging is correct. For most accountancy practices,

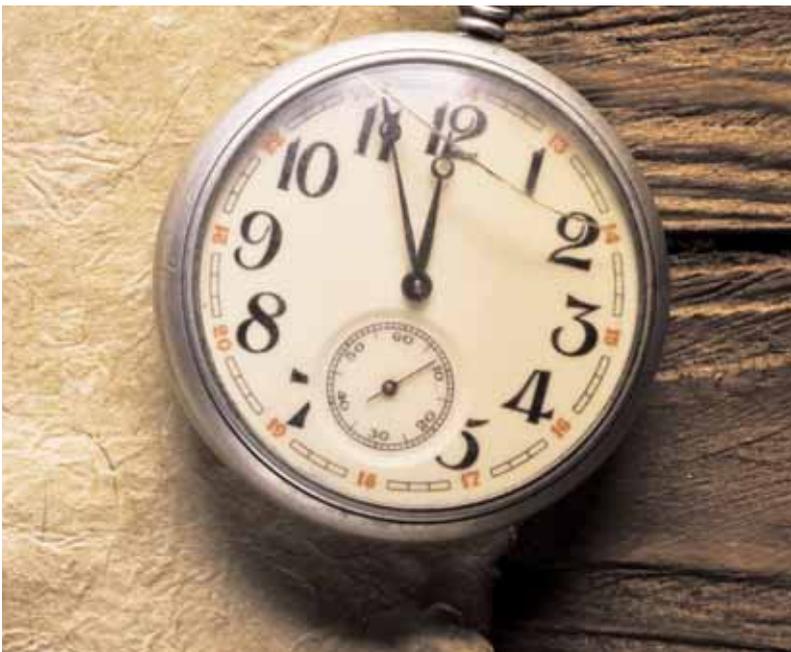
WHICH ACCOUNTS ARE REQUIRED IN iXBRL FORMAT?

The accounts sent with a corporation tax return need to be in iXBRL format if they are required to be prepared under any of the following legislation:

- Individual accounts required to be prepared under Chapter 4 of Part 15 of the Companies Act 2006
- Building Societies Act 1986
- Friendly and Industrial and Provident Societies Act 1968
- Friendly Societies Act 1992
- Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008

Also, overseas companies resident in the UK must deliver the accounts required by a notice to deliver a return in iXBRL. A company not resident in the UK, but carrying on a trade in the UK through a permanent establishment, branch or agency in the UK must deliver any trading and profit and loss account and any balance sheet of the UK establishment, branch or agency required as part of its return in iXBRL format.

Source: HM Revenue & Customs



The firm is preparing but partner **Alan Jones** is concerned about the supplier's delays in delivering a workable software package

the corporation tax software is already iXBRL-compliant and being used – the major problem is the accounts.”

He is concerned that, at the time of writing, his own firm's accounts production software provider, CCH, had not yet released its iXBRL-compliant product, although it was expected imminently as this magazine went to press.

“Until we get the software I'm unsure just how much work will be needed on the accounts production side,” he says.

“Our clients are not vastly complex, so hopefully the software will tag the great majority of the required taxonomy automatically. We'll need a check-through and review process to pick up any numbers it hasn't tagged.”

CCH getting its solution to market later than expected also meant Jones and his colleagues were not able to prepare for mandation as early as they would have liked. Certain issues still cannot yet be considered.

“Although we're not expecting large amounts of extra effort, we haven't got to the stage of thinking about costs – whether we'll absorb them or consider passing them onto the client – as we don't have the accounts production solution yet, we just don't know,” he says.

“There might even be a need for our accounts production staff, who will be responsible within the firm for tagging, to undergo in-house training – but again, we need to see the software first to know that. We need to have a one-person trial to see what complications might arise. Some extra time before mandation would be useful,” he adds.

“We are disappointed that we don't have working software at this stage,” he concludes. “CCH promised we would have this well before the end of 2010; now we're not going to get it till next week – we would have liked to get on and started working with it. The last thing you want is software that's not properly tested.”

Technology

IN ASSOCIATION WITH

Jerry Rihll explains the benefits of financial reporting tools



THOMSON REUTERS

Working smarter



Jerry Rihll

The fundamental way the accounting profession works is being reshaped by new compliance regimes, globalisation and frameworks to recover losses and minimise risk. The “new normal” calls for greater efficiency – let's call it smarter working, built on technology innovations that enable firms to simultaneously drive cost savings, improve productivity and handle compliance.

The introduction of iXBRL has sparked a major rewrite of final accounts and financial reporting systems. Practices are now starting 2011 with more choice than ever and more ways to slice and dice financial data.

Within the systems breaking new ground there is a marked shift to incorporate broader reporting and to allow the creation of reports from more data sources including csv files. Users can import transactions using a “drag and drop” configuration which can be saved and re-used, providing far greater flexibility, with less manual formatting required to source data and saving valuable time.

It is the ability to create and manipulate personalised reports from a reporting template that take these tools to another level. With existing accounts production systems, the practice is typically forced down the software developer's preferred route for report production without any opportunity to personalise.

Further, they may also be required to pay for additional modules to allow specialist reports to be run. But with the new reporting template feature in today's “smarter” systems, the accountant can choose how to represent the client's financial information, with greater control over formatting, character sets and capitalising.

iXBRL represents an enormous change for the profession, but it is also an opportunity to take advantage of productivity-boosting tagging tools, without having to export to a Word file. Migrating data is no longer the issue it once was and today's conversion routines allow the export of multiple years of data with very little need to re-key.

The Government, banks and board members drive the need for financial reporting, but the real value to the practice is in the use of the information and metrics provided to help clients to make the kind of critical business decisions needed in 2011.

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For more information on smarter financial reporting, visit: www.digita.com or call 01395 280 218

accounts production package, which automatically tags the accounts; our outsourcing service based in India; and finally, our recently introduced iXBRL-tagging tool aimed at big corporates who don't use accounts production packages but produce their accounts in Word or Excel – our tool makes recommendations and becomes more accurate the more you use it: it 'learns' as you go along."

While Robinson observes that corporates "seem to have grasped the issue much later than firms", he also believes that practitioners should realise that: "iXBRL is not just a technology issue, but a business issue too. Someone in your firm needs to understand iXBRL, to make intelligent choices about the tagging you'll have to do manually."

Andrew Ross, head of business development at BTC Software Ltd, a small software company providing tax packages, does not think wholly manual tagging tools are the

panies; the iXBRL-compliant version of CT Solution – for the full tax return – will be available in March 2011. Ross says: "We're not concerned, as our users will encounter little difference in what they already use."

Ross is concerned, however, about how "old-style practitioners" still completing paper tax returns will cope. "Not only are they going to have to learn about this new computer language called iXBRL, they are also going to have to learn to file online," he says. "And the future, I believe, is increasingly going to be about automated online filing."

It's a belief shared by Mark Davies, UK country manager of Twinfield, an online accounting solutions provider that operates mainly in the Netherlands and has recently turned its focus to the UK market. "Right now, firms want a quick solution in time for the deadline," he says. "We think after that, firms will look for innovation and a move to online services, which is where

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Mark Davies, UK country manager of Twinfield

answer. He says: "The expectation is that tagging tools won't last forever – they're a stopgap. They are not suitable for a large number of returns and eventually practices will have no alternative but to use accounts production software."

"The concerns about tagging tools are accuracy and accountability. Accuracy is not guaranteed, and you would want to know who will take responsibility for anything going wrong."

BTC recommends using a compatible accounts software package with its two tax products. The vast majority of BTC's clients use CT Solution Express, which is designed for Short Form CT600s, is already iXBRL-compliant and is used mainly by sole practitioners and small com-

our opportunity will be."

Businesses in Netherlands are ahead of the game on iXBRL, according to Davies, who is looking to implement Twinfield's solution this year. "A lot of vendors are only looking to provide a product that complies right now – there's no innovation or streamlining in any offerings," he explained. "Rolling out a single accounting solution, a single process, will be quicker, cheaper and more efficient. We believe that in five years, people will look back on this time and realise it's a more efficient way of working."

Perhaps. But what will be intriguing, with all the furore and flux, is how iXBRL in the UK will pan out over the coming months and years. ■

KPMG: BIG FOUR FIRM DOES ITS OWN THING



Bivek Sharma tells how KPMG decided to exploit the opportunity presented by iXBRL

Rather than look to software vendors, Big Four accountancy firm KPMG decided – two years ago – to implement its own iXBRL solution for accounts.

Bivek Sharma, compliance and technology team partner, explains why. "iXBRL has been sold as far more simple than it actually is," he says. "While converting CT600s and computations to iXBRL format is fairly straightforward – you just use a compliant product – producing iXBRL-compliant accounts isn't.

"We looked to other countries already using XBRL for their accounts solutions, but didn't find any suitable products. We deal with a lot of large corporates using Word and Excel to do their accounts, which are flexible enough for their purposes. Most UK products are aimed at the SME market, using a template-based approach, and a lot of big corporates don't fit into that.

"As we can't tell those corporates to change their ways – and we've already got a large technology team here, a team of about 120 staff including 70 developers – we launched our own product."

The product is KPMG's own iXBRL-tagging tool, XME, which can be used in-house by large corporate groups with hundreds of legal entities. Sharma says the tool offers the full taxonomy of tags rather than the minimum taxonomy

many other products offer, so when HMRC enlarges the taxonomy in future years to include more items, the tool can still be used. "Because we were in the market so early, we were able to find and resolve the issues in good time for mandation," Sharma says. "You've got to make sure the tagging is right – even though HMRC has says there's a 'soft landing' this year, if regulations suddenly change you want to be ready for that."

KPMG also offers outsourcing for corporate groups. "The cost of the investment is significant," Sharma says. "Other large firms have been selling outsourcing services, but only set up their operations a few months ago – it needs a bedding-down period."

Sharma indicates KPMG has not had to change too many of its current processes, apart from testing files against the government gateway to ensure they work. He insists the firm's accounts tagging tool is easy to use and saves time. "It's not a lot of work, which is good as iXBRL is a compliance issue rather than a 'value-added' one," he says. "The full taxonomy contains more than 8,000 concepts to be tagged, and within those there are further concepts needing tagging. There are only a few of these for which you can actually automate tagging, so the best you can do often amounts to guesswork."