iXBRL – WHAT DOES IT MEAN? - JANUARY 2010

iXBRL, or in-line Extensible Business Reporting Language, has been a hot topic within the tax and accountancy press of late, and with good reason.

iXBRL has been developed from its older cousin, XBRL (Extensible Business Reporting Language). XBRL is a standard built on the use of XML (Extensible Mark-up Language) tags to label data. XML tags allow a computer to read and identify data quickly and efficiently. Thus in standardising the use of such tags for reporting financial data, XBRL can make it easier for businesses and organisations to publish, analyse and exchange financial data.

However, XBRL is not intelligible to the human eye. Financial reports for humans will often be in Microsoft Word, PDF, or HTML format. iXBRL was developed to marry the human friendly formatting of HTML with the computer friendly content of XBRL. The adoption of iXBRL for financial and tax reporting of companies in the UK therefore has the potential to simplify the compliance process, but its adoption is not without its problems.

Changes ahead

HMRC are introducing mandatory iXBRL on-line filing of corporation tax returns and related accounts and computations. At the date of publishing of this article, the requirement comes in for any accounting period ending after 31 March 2010 and filed after 1 April 2011. With prompt filing of the documents for such accounting periods before 1 April 2011, companies may therefore be able to delay the requirement to file in iXBRL by a whole year. Clearly some thought will have to be given as to whether there is sufficient time between the year end and 1 April 2011 to achieve that. According to a news release from HMRC, the system is already live but with so few companies and software providers ready for the change, it is unlikely that many will adopt early. HMRC will be hoping that sufficient numbers do in order to identify any technical issues their system has well before iXBRL becomes compulsory.

With such a major change to the way in which HMRC will require the filing of accounts, one would have expected HMRC to have worked with Companies House on aligning their requirements and implementation timetables from day one of the project. However this was not the case. Companies House have been accepting on-line filing of audit-exempt company accounts in XBRL for several years but it was only announced in September last year that they too will be introducing iXBRL filing, from Summer 2010. Companies House have taken a more pragmatic approach to its introduction. The service will be introduced for audit exempt companies initially and will be optional. Over time Companies House will develop their iXBRL capabilities and introduce the service for audited and larger companies. They have yet to give timescales for expansion or when iXBRL filing might ultimately become compulsory.

Preparing for the change

It is essential that companies and their tax advisors put in place systems to cope with the new requirements. Corporation tax software providers are making good progress with updating their software. Tax Computer Systems who produce Alphatax, the corporation tax software that we use, released its iXBRL compliant software at the end of last year. A number of other developers have also released their compliant software. Meeting the compulsory iXBRL filing requirements for corporation tax returns and computations should therefore be straightforward and the relatively speedy response of software developers reflects the prescriptive nature of those documents.

Complications are far more likely to arise with HMRC's iXBRL statutory accounts filing requirement. Format and contents of statutory accounts can vary tremendously depending upon the size of a company, the group of which it is a member, and the industries in which it operates. Consequently accounts software developers are noticeably behind their corporation tax software counterparts and, at the time of going to press, only Forbes Computer Systems has released iXBRL accounts software. The remaining software developers are dedicating significant amounts of their resources to completing their iXBRL packages. There is a very substantial incentive for them to do so as those who do not release iXBRL packages by April 2011 may struggle to keep a foothold in the market. It is therefore likely that a good number of developers will meet the deadline.

A partial solution to this problem is the accounts converter packages being developed by those software developers who provide tax software but not statutory accounts packages. To complement their tax software, several are also releasing these products. The converters will take accounts in Microsoft Word and Excel format and automatically create the XML tags necessary to produce the iXBRL equivalent. Tax Computer Systems is one of those suppliers. It remains to be seen how user-friendly these converters will be and it is inevitable that some degree of manual intervention will be required to correct their automated efforts.

Converters may provide a permanent and cost effective solution for very small companies and an interim solution for more sophisticated organisations. However all but the smallest companies will in all likelihood look to accounts software developers to provide a long term solution. It will be interesting to see who the winners and losers of that race are.

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