

White paper

**Everything you need to  
know about XBRL and iXBRL:**  
A guide to online company tax filing

# Filing company tax returns online is about to change.

- Do you find XBRL, iXBRL and corporation tax online filing increasingly becoming the topic of conversation?
- Would you like to understand how the changes will impact your practice?
- Do you know the key dates involved with the online filing changes and how you can best prepare to meet the deadlines?
- Do you want to understand how the online filing changes could present you with new business opportunities?

The aim of this white paper is to provide insight and guidance on what the forthcoming corporation tax online filing changes means for accountants and tax advisers and how you can best prepare to meet those changes. It also provides advice on how practitioners can best prepare for the introduction of XBRL.

## Corporation tax online filing - An overview

From 1 April 2011 onwards, all companies submitting a CT600 must submit a set of accounts and tax computations online – and most entities will need to ensure that all descriptive information and amounts are tagged using eXtensible Business Reporting Language (XBRL). The XBRL tagged data then has further tagging using Inline XBRL (iXBRL) to render the tax return and accounts in human readable form.

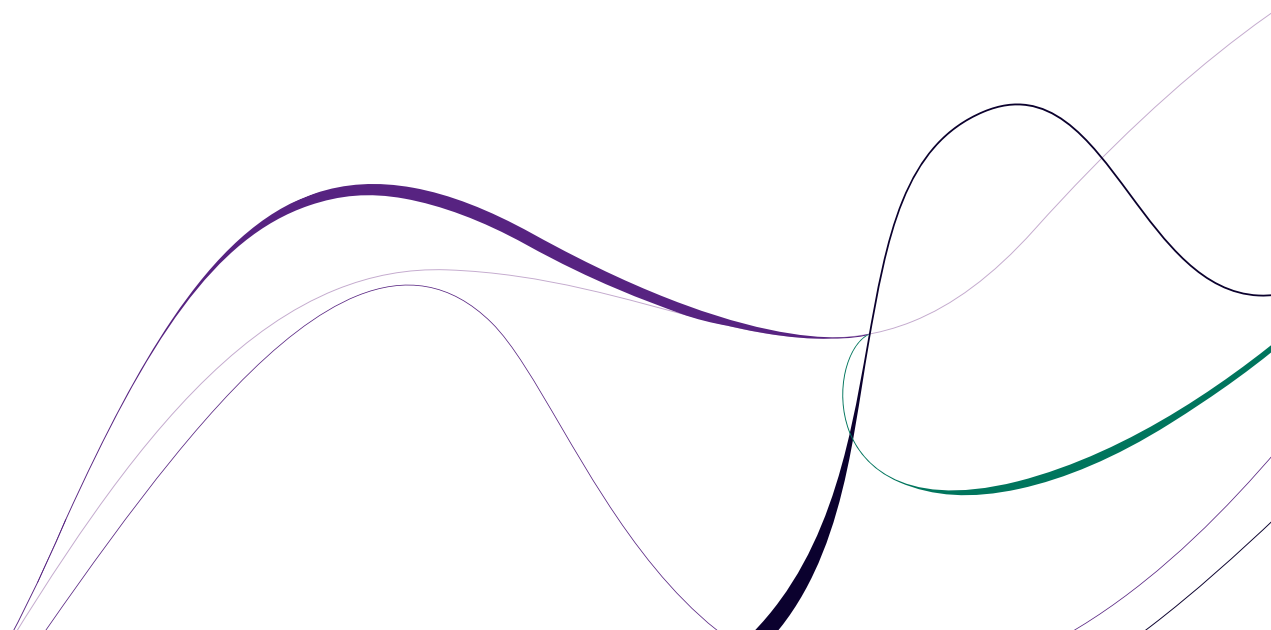
HM Revenue & Customs (HMRC) says that this new online filing mechanism will make filing company tax returns easier and faster.

Companies of all sizes will be affected. Businesses will need to review their internal IT systems and business processes to ensure they can comply with the new rules, which will apply to returns for accounting periods ending after 31 March 2010 and which are filed after 31 March 2011.

The changes will be mandatory. HMRC will reject company tax returns that do not use the iXBRL format and could fine companies for non-compliance. However, it is commonly known that many businesses are still unaware of the looming change.

## Online filing revolution

The move to XBRL is part of a bigger shake-up of online tax filing. In March 2006, Lord Carter of Coles published a review of HMRC's online services. (This can be viewed at <http://www.hmrc.gov.uk/budget2006/carter-review.pdf>).



## Company tax return filing now

Currently, a significant proportion of companies produce their accounts manually using Microsoft® Word, Excel or similar applications. Some companies also produce their tax computations manually. The company tax return form, CT600, is either sent to through the post or electronically to HMRC computer systems together with the tax computations and accounts.

The current system has a number of drawbacks. It is slow and much of the data has to be re-entered by accountants and HMRC because the computer systems can't talk to each other. Accounts attached as a read-only PDF document, for example, need to be manually re-keyed into HMRC systems.

HMRC wants to streamline this process. It says online filing will allow its staff to be redeployed to undertake more enquiry work, analyse more data, and spot trends in the tax system.

After 31 March 2011, all companies (other than those where an exception applies) submitting a CT600 form must submit a set of accounts and tax computations online. All descriptive information and values within the tax computations and the accounts must to be tagged using XBRL.

## What are XBRL and iXBRL?

XBRL is like bar coding for financial statements. Key pieces of data are coded (tagged) with a standard description.

iXBRL is the inclusion of all untagged items plus all the formatting instructions in a manner that is human-readable and laid out as if in a printed document, together with the tagged items.

The aim is to make the information easier to read by computers and swap between them but also to retain human readability. The author's layout, style and branding are maintained and can be viewed using a web browser. The viewed file looks the same to both author and reader, while incorporating computer readable XBRL tags.

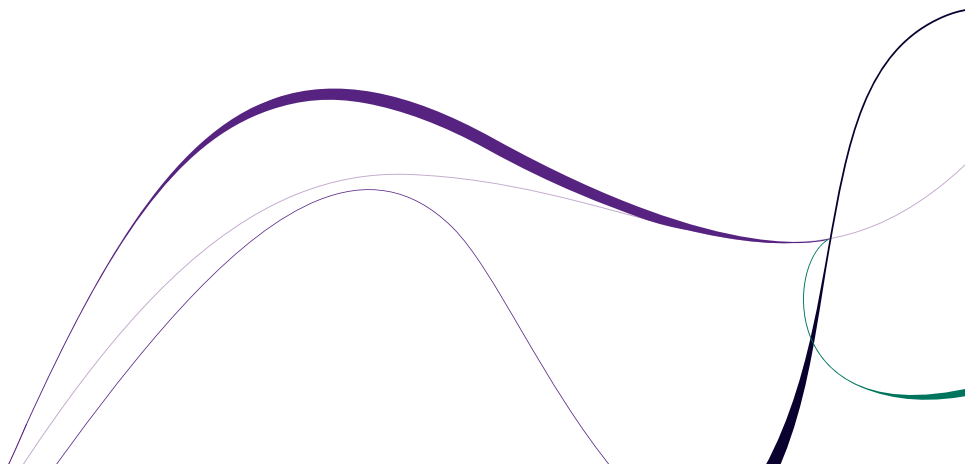
This means that computers can intelligently "read" an XBRL file for specific data, pull it into documents and spreadsheets, analyse it, exchange it with other computers, and present it in a variety of formats. This can be done in real time, allowing users to instantly compare hundreds of companies and industry sectors.

## Global standard

XBRL is a global standard for business reporting. It has been mandated by the United States Securities and Exchange Commission for large company accounts reporting, plus a number of additional reports.

It's used for financial data transfers by many stock exchanges around the world, and is officially supported by the European Parliament.

Governments including Japan, India and China have implemented XBRL data exchange projects or have them in development.



## How is XBRL being phased in for company tax returns?

From 1 April 2011, the 'mandatory date', all organisations (other than those where an exception applies) submitting a CT600 must submit the statutory shareholder accounts and supporting tax computations online, using the iXBRL standard.

Before the mandatory date companies or their agents can choose to file company tax returns where tax computations and accounts use iXBRL, or continue using their existing electronic and manual filing methods.

On 23 November 2009, HMRC updated its online filing systems for company tax returns to support the iXBRL format for tax computations and accounts.

HMRC have provided some leeway for companies that wish to file their company tax returns in iXBRL before 2011. They have accepted that generating a full set of iXBRL accounts is a big challenge and have published a reduced list of financial data items that must be tagged in XBRL. Similarly, reduced tagging is available for tax computations.

## How will XBRL affect my practice and my role?

XBRL will have a big impact on accountants and tax advisers in practice and their clients. It may require major changes to IT – accounts production and corporation tax computation packages – and business processes. For most of you, the biggest changes relate to the need for iXBRL accounts.

Accounts production software applications will need to map the definitions in the accounts to comply with the XBRL data definitions and then convert the information into an iXBRL file. This file is then sent to the person responsible for preparing the corporate tax return within an accountancy practice or company.

Tax computations also need to be restructured to incorporate iXBRL. The tax computations iXBRL file and accounts iXBRL file are then filed online to HMRC in much the same way as many of you already file online with PDF files.

Accounts prepared through a spreadsheet or word processing package will have to be processed through an upgraded accounts production package or have all data and presentation information manually tagged.

The move to mandatory online filing for corporation tax may sound like yet another compliance headache, but it has the potential to deliver a range of business benefits. These include preparing accounting data more quickly and being able to find important financial data more efficiently.

In addition, online filing also presents a new business opportunity for accountants and tax advisers. Many clients will rely on their accountant for expert advice on the move to iXBRL.

## Do your research

Accountants need to do their homework about XBRL and iXBRL and their implications for how accounting and tax data are gathered, presented and exchanged.

Good accounting software will automate much of the switch to iXBRL, but it can't do everything. Accountants will still need to do manual checks of data and balances if they were recorded before the UK GAAP taxonomy was introduced.

Some balances in the accounts won't align with a taxonomy element or will be blank. So the accountant will occasionally have to manually allocate a few items of data to its taxonomy label in some sets of accounts.



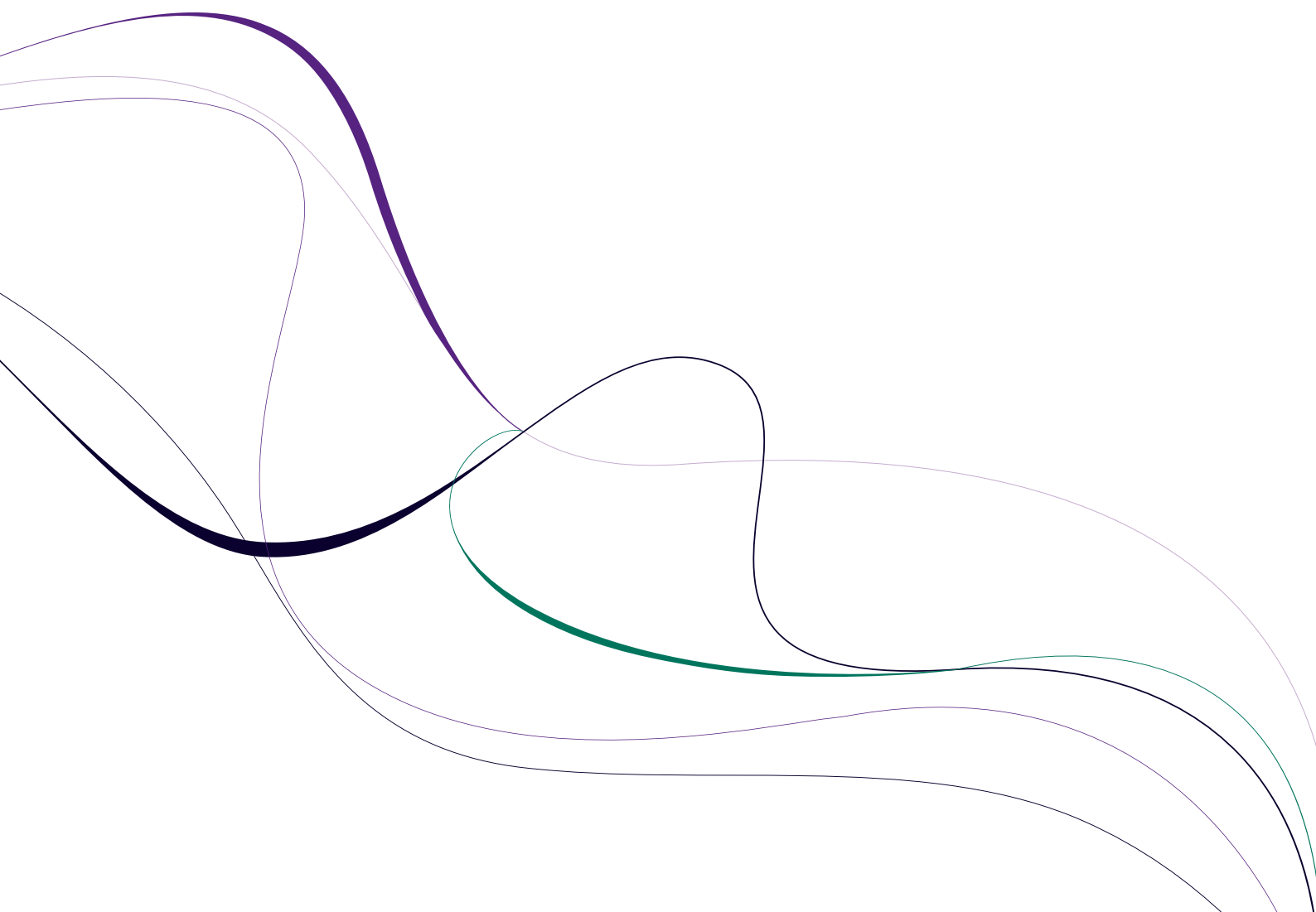
## What do I need to do to get started?

### Here are five tips to help you prepare for the introduction of iXBRL

1. Advise your current and prospective clients of the changes to corporation tax online filing and what they mean to them.
2. Outline the pitfalls of word-processed or spreadsheet generated accounts – they're less robust, less accurate, less transparent; they need to be manually re-keyed into HMRC systems.
3. Use iXBRL as an opportunity to get new business. Let clients know that you'll be able to produce corporation tax returns that are iXBRL-compliant. Make sure your software will be ready to generate iXBRL accounts, and that your tax software will integrate the accounts information efficiently.
4. Ensure your accounts production software is future proofed beyond 2011 and is able to deliver iXBRL accounts under IFRS, and IFRS for SME, as well as UK GAAP.
5. Check that your business partners' IT systems will be compliant with iXBRL.

### What else?

All corporation tax-related payments, interest and penalties made after 31 March 2011 must be made by electronic means such as online banking, CHAPS and debit card. Companies House is also adopting iXBRL. HMRC and Companies House are working on a project to allow joint filing of company accounts. This has the potential to give companies and their agents improved efficiency because the iXBRL accounts would be filed once by the user. There are legal and technical issues to overcome but that is the broad intention.



## Software roadmap to iXBRL compliance

Format	Sage Instant Accounts Production	Sage Accounts Production	Sage Accounts Production (ROI)	Sage Accounts Production Advanced	iXBRL / XBRL
Limited Company – IFRS	X	X	v8	v11.4	XBRL/ iXBRL
Limited Company - UK GAAP	v3	v7	v7	v11	iXBRL
Limited Company – ROI	v3	v11	v11	v11	XBRL
Limited Company – Other Jurisdictions	X	v7	v7	v11	iXBRL
LLP	X	V7.5	v7.5	v11.5	iXBRL
Farmers (Incorporated)	X	v7.1	v7.1	v11.1	iXBRL
Group Consolidations	X	v7.3	v8	v11.3	XBRL/ iXBRL
Charities (Incorporated)	X	v7.2	v7.2	v11.2	iXBRL
Clubs	X	v7.3	v7.3	v11.3	iXBRL
Ltd Company – IFRS SMEs	v4	v8	v8	v12	XBRL/ iXBRL

## Software release calendar

	Sage Instant Accounts Production	Sage Accounts Production	Sage Accounts Production (ROI)	Sage Accounts Production Advanced
July 2010	v3.0	v7.0	v7.0	v11.0
Aug-Sep 2010	v3.1	v7.1	v7.1	v11.1
Sep-Oct 2010	v3.2	v7.2	v7.2	v11.2
Oct-Nov 2010	v3.3	v7.3	v7.3	v11.3
Dec-Jan 2010	v3.4	v7.4	v7.4	v11.4
Feb 2011	v3.5	v7.5	v7.5	v11.5
Aug-Sep 2011	v4.0	v8.0	v8.0	v12.0

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