THE SAGE GUIDE TO

iXBRL

EVERYTHING YOU NEED TO KNOW ABOUT THE FUTURE OF ONLINE FILING

sage

contents

Foreword

Welcome to the second in our exclusive series of Sage Guides, aimed at keeping you up to date with all the latest important industry news and hot topics.

One of the biggest, most exciting challenges we all face is the continued change in terms of online filing.

With that in mind, Part 2 of our Sage Guides is dedicated to telling you everything you need to know about the introduction of iXBRL – why it matters, how it works and what it means for both you and your clients.

We hope you'll find it a useful summary.

Introducing the Sage Guide to iXBRL

With iXBRL becoming more and more talked about, we'd like to take you through the 'what', the 'why' and the 'when' regarding the new tagging and filing systems for corporation tax and accounts production software.

This guide gives you a detailed look at the history and an overview of what the future holds, and includes information about subjects such as IFRS for SMEs.

We've been working closely with HM Revenue and Customs (HMRC) as original members of the HMRC XBRL Tripartite Steering Group – a forum created specifically to discuss the implementation of iXBRL – to ensure that the switchover is as smooth and efficient for you as possible.

Why iXBRL?

- Corporation tax returns due after 31 March 2011 must be filed online

- HMRC says that th is new online filing mechanism will make filing company tax returns easier and faster

- HMRC has mandated that the CT600 be in XML* format. Accounts and tax computations will both be in inline eXtensible Business Reporting Language (iXBRL) format, and other documents will be filed with the CT600 as PDFs

* XML (Extensible Markup Language) is a set of rules for encoding documents electronically.

What are XBRL and iXBRL?

XBRL (eXtensible Business Reporting Language) is a bit like bar coding for financial statements, enabling every piece of data to be coded (tagged) with an identity. It is a universal language that can be adapted to any nation's accounting standards. Computers can then read an XBRL report and select specific data, collate it, analyse it and exchange it with other computers.

Inline XBRL (iXBRL) enables XBRL- tagged data to be embedded within standard HTML documents – just like a web page – so that you and your clients can read the accounts as normal. Embedding the XBRL in-line with HTML allows for the flexibility required around the production of the statutory accounts, whilst maintaining the ability for a computer to read the same data. The iXBRL computation file and accounts file are attachments (like PDF files) and are submitted alongside the electronic version of the CT600.

When will iXBRL be introduced?

November 2009 - 31 March 2011: Corporation tax filing can be done on paper or online with the CT600 as XML, and with other documents as PDFs. Up until 31 March 2011, accountants in practice and industry can choose to submit accounts and tax computations as PDFs or in iXBRL format.

From 1 April 2011: Corporation tax returns for accounting periods ending after 31 March 2010 and which are filed after 31 March 2011 must be filed online, and the submission of tax computations and accounts using iXBRL will become a compulsory requirement.

What impact will this have on you, the accountants?

The production of the iXBRL file will be as straightforward as printing to PDF

Existing users of any version of Sage Corporation Tax (powered by Abacus) will see that the changes to deliver iXBRL filing will be relatively minor to allow the submission of iXBRL files to HMRC. These changes will be included in your software upgrade.

If you do not use software for corporation tax you could use the release as an opportunity to review whether you will purchase corporation tax software. If you choose not to purchase software, you will be able to use the HMRC service to generate and submit your iXBRL return and computations. The HMRC service will not be suitable in all cases though and has some published exclusions.

Existing users of any variant of Sage accounts production software will see that the mechanism to produce the final iXBRL accounts will be as straightforward as the current method of printing to PDF.

We have used the mandation of iXBRL as an opportunity to implement a number of customer-requested usability enhancements that streamline the production of final accounts. These will result in significant time savings for accountants using our software. The most obvious change is the introduction of the Interactive Financial Statements (IFS) into each of the accounts production packages. This is an exciting development in our accounts production software range and allows customers to change the wording and format of final accounts without having to understand any complex formatting language. Changes can be made directly from the face of the

The following are mandated requirements of HMRC:
100% of company accounts to be e-Filed with CT returns
Unlisted companies in accordance with UK GAAP taxonomy**
Listed companies in accordance with IFRS taxonomy

accounts to customise formats, simply and infinitely – for an individual client company, for example, by accounts format or to create a single in-house style.

If you do not already use software for final accounts production you should use this as an opportunity to review whether you might now need to purchase Sage accounts production software, or whether manually tagging each set of accounts yourself using an XBRL tagging tool each year (which could be very labour-intensive) is an acceptable solution for your requirements.

Whilst the published taxonomies include around 5500 tags for the UK GAAP and significantly more for IFRS, HMRC have announced a 'Soft Landing' – a reduced tagging requirement in years 1 and 2.

In parallel with HMRC's mandate of iXBRL, Companies House have stated that they will now accept unaudited accounts in the same format as HMRC from July 2010. At present, Companies House only accept online filing of accounts for limited circumstances using a different format.

**Taxonomy is a classification system.

How is Sage software impacted?

Corporation tax software

Sage Corporation Tax (powered by Abacus) is recognised by HMRC for the production and submission of iXBRL tax computations, and the submission of iXBRL accounts. It allows practices to produce corporation tax calculations and forms CT600 quickly and efficiently, and has a 95.1% success rate for first-time online filing.

Document tagging software

Sage XBRL Tagging (powered by ONESOURCE) has been produced with those specialist client scenarios in mind, when you need to work on final accounts that are in Microsoft® Word format. It's a simple, intuitive solution that allows you to add XBRL tags to Word documents, or to accounts that have been pre-prepared in accounts production software.

Accounts production software

At the end of January 2011 Sage will launch iXBRL-enabled versions of the Sage accounts production suite – our-market-leading final accounts production packages that provide a comprehensive and effective solution for your accounts production requirements.

We've used a prolonged test period to ensure that our compliant software is as user-friendly as possible, based on customer feedback.

What can you do now?

If you have not already done so, you can register with HMRC's online filing service (hmrc.gov.uk). Using Sage Corporation Tax (powered by Abacus) from July 2010 during the voluntary filing period will help you familiarise yourself with HMRC's filing regime.

You should look to review internal processes with staff and clients to ensure they are able to support the additional filing requirements of iXBRL. Our 5-step iXBRL support 'customer journey' will ensure that you have the necessary processes and procedures in place. Find out how it can help you at www.XBRLwithSage.co.uk/support.

Sage XBRL Usability & Design Panel

If you'd like to help shape the future of Sage software for accountants as we move towards XBRL functionality, you can join the Sage XBRL Usability & Design Panel; a community of accountants who will help inform how we develop our software for the future.

To sign up to the Panel, simply visit **http://tiny.cc/3rgc9**
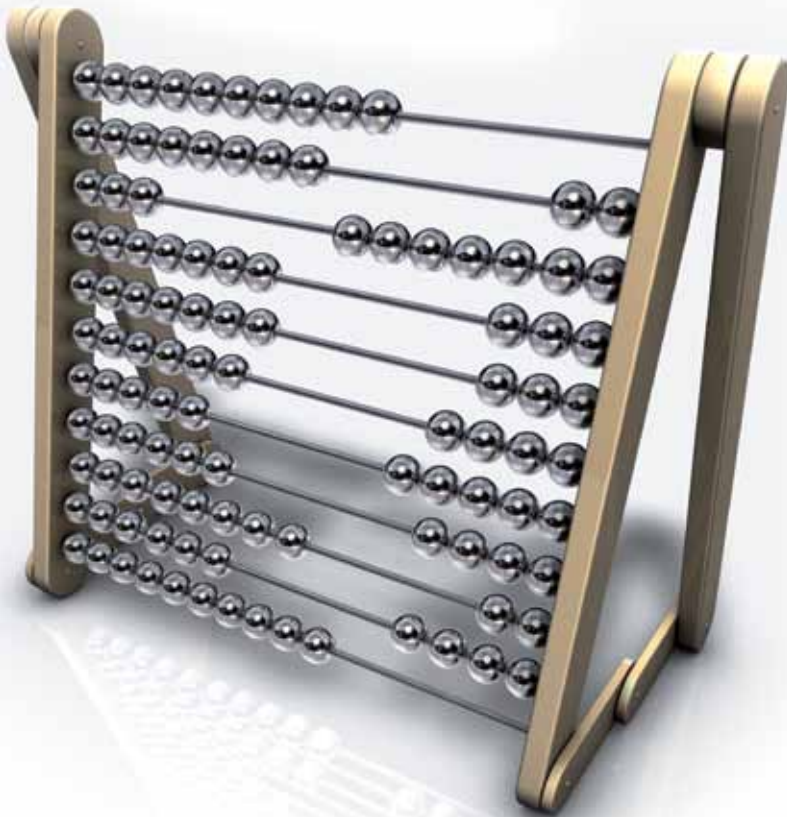
Online filing – A brief history

Corporation tax is one of the final initiatives to be implemented as part of Lord Carter's report and recommendations for HMRC. This process started in 2001 with recommendations for Payroll and moved through to Taxation Self Assessment (SA100 for Personal Tax, SA800 for Partnership Tax, SA900 for Trust Tax). Sage have a fantastic pedigree in providing compliant submissions for these new government requirements with in excess of 99% success rates for Taxation.

In 2006, Lord Carter issued a further report and recommendations (the full document can be found at http://www.hmrc.gov.uk/budget2006/carter-review.pdf) for the submission of Business Tax information – which are outlined here in the 'Electronic strategy' and 'Business and employers' sections.

Electronic strategy

We recommend that the Government should set an aspirational goal for HMRC that it should aim for universal electronic delivery of business tax returns by 2012. It should also aim for universal electronic delivery of individuals' tax returns from IT-literate groups by the same date.

We recommend that HMRC should benchmark customer satisfaction with its online services against commercial online services and seek to learn from best practice.

We also recommend that HMRC should work with other public and voluntary organisations to ensure that access to the internet, and appropriate assistance with using IT, are available locally – for example at libraries and UK Online centres – for taxpayers who wish to file their returns online but do not own a computer.

Business and employers

For businesses and employers we recommend:

VAT: Large, medium-sized (those with turnover above £5.6 million a year) and newly registering traders should be required to file their VAT returns online, and make payments electronically, for accounting periods starting after 31 March 2008. Traders with an annual turnover in excess of £100,000 should be required to file their VAT returns online, and make payments electronically, for accounting periods starting after 31 March 2010. Paper filing will remain an option for traders with turnover below £100,000 but the Government should review the need for this exception in the run-up to 2012.

CT: All companies should be required to file their company tax returns online using XBRL, and make payments electronically for returns due after 31 March 2010.

PAYE: Large and medium-sized employers (those with 50 or more employees) were required to file in-year forms (P45 and P46) online from 1 April 2008. Small employers (those with fewer than 50 employees) were required to file in-year forms (P45 and P46) online from 1 April 2010.

In early 2008, Sage and other software suppliers were invited through the Business Application Software Developers' Association (BASDA – www.BASDA.org) to join an HMRC forum to discuss the implementation of XBRL for corporation tax. Known as the HMRC XBRL Tripartite Steering Group, this forum consisted of HMRC Carter program team members, agents (accountants), institutes representing the accounting profession and selected software suppliers.

In early discussions with the Steering Group it was proposed that HMRC would be considering XBRL submissions of the accounts, accompanied by a standard 'style sheet' (a template which displays data in a standard format) to allow the XBRL to be presented in a form that could be read by humans. Through detailed discussions with HMRC, it was agreed that this approach did not meet the needs of most accountants as it removed all flexibility in the production, presentation, formatting and branding of the accounts produced. As such, the concept of embedding XBRL in-line with human readable, flexible and presentable documents was defined rather than offered in a prescriptive 'style sheet'. This became iXBRL or inline eXtensible Business Reporting Language.

More detail on XBRL and iXBRL

Most users of ordinary iXBRL–enabled corporation tax and accounts production software will be largely or totally unaware of the technical infrastructure which underpins the iXBRL language. However, software companies, including accountancy software providers such as Sage, need to take account of iXBRL and its features when developing their products.

The idea behind **XBRL** (eXtensible Business Reporting Language) is simple:

- Instead of treating financial information as a raw text – as in a printed or electronic document – it provides a descriptive tag for each item of data. This is computer-readable. For example, company net profit has its own unique tag

- The introduction of XBRL tags enables automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison

- Computers can recognise the information in an XBRL document, select it, analyse it, store it, exchange it with other computers and present it automatically in a variety of ways for users

- XBRL can greatly increase the speed of handling financial data, reduce the chance of error and permit automatic checking of information

XBRL is an open standard, which is one of a family of 'XML' (eXtensible Markup Language) languages which is becoming a standard means of communicating. XBRL uses an XML format to deliver a computer-readable set of data in a standard form. The power of XBRL is not necessarily in the technology, but comes from the fact that it provides a standard taxonomy (dictionary for the data and its hierarchy/relationship) which covers the financial data elements required for all of the reportable data in a corporation tax return, including the detailed data in the accounts. XBRL can also show how items are related to one another. It can thus represent how they are calculated. It can also identify whether they fall into particular groups for organisational or presentational purposes.

Taxonomies are the dictionaries which the language XBRL uses. These are the categorisations that describe the specific tags for individual items of data (such as 'profit'). Each accounting jurisdiction has different accounting regulations, therefore each jurisdiction can have its own taxonomy for financial reporting. Additionally, many different organisations, including regulators, specific industries or even companies, may also require taxonomies to cover their own business reporting needs.

The UKGAAP and IFRS taxonomies for the UK are developed by XBRL UK (www.xbrl.org/UK)

In-line XBRL (iXBRL) enables XBRL–tagged data to be embedded within standard HMTL documents – just like a web page. Embedding the XBRL in-line with HTML allows for the flexibility required around the production of the statutory accounts whilst maintaining the ability for a computer to read the data.

Sources of information

Sage

A website dedicated to informing our customers of all things iXBRL

www.xbrlwithsage.co.uk

HMRC

Information on how to set up an online corporation tax account

www.hmrc.gov.uk/ct/ct-online/file-return/online.htm#3

HMRC

Getting ready for online filing

www.hmrc.gov.uk/carter/index.htm

HMRC

The Carter Review 2006

www.hmrc.gov.uk/budget2006/carter-review.pdf

XBRL

A source of information about XBRL in general and also the specifics of its UK application

www.xbrl.org/uk

XBRL

A useful website bringing together news and views from the XBRL community

www.xbrlblog.com

iXBRL in Summary

- From 1 April 2011, corporation tax returns for accounting periods ending after 31 March 2010 and which are filed after 31 March 2011 must be filed online, and the submission of tax computations and accounts using iXBRL will become a compulsory requirement

- If you don't already use software for corporation tax, use this as an opportunity to review whether you will purchase corporation tax products, or whether you can use the HMRC service* to generate and submit your iXBRL return and computations

- Sage Corporation Tax (powered by Abacus) is iXBRL-compliant, and can be used to produce/submit tax computations and to submit compliant final accounts

- Sage XBRL Tagging (powered by ONESOURCE) enables you to convert clients' accounts into XBRL format for submission

- If you don't already use software for final accounts production, use this as an opportunity to review whether you need to purchase Sage accounts production software, or whether a manual XBRL-tagging tool is an acceptable solution

- The new accounting standard – IFRS for SMEs – is expected no later than 2013, and requires a new Interactive Financial Statements (IFS) layer in all accounts production software. This will substantially enhance usability and functionality

- iXBRL-enabled Sage accounts production software will be launched at the end of January 2011 and will contain the new IFS layer

*HMRC service will not be suitable in all cases and has some published exclusions. www.hmrc.go.uk

To download the Sage Guide to iXBRL,
visit **xbrlwithsage.co.uk**

Or for any further information concerning the
iXBRL Guide, please email **xbrl@sage.com**

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