

iXBRL – The Old and the New

Revenue is rolling out the obligation for companies to file iXBRL financial statements in phases; Phase I affected customers of Revenue's Large Cases Division and S110 securitisation companies, while companies have an obligation under Phase II where they meet any of the following criteria:

- Turnover exceeds €8.8m; or
- Balance sheet total (i.e. aggregate of assets without deduction of liabilities) exceeds €4.4m; or
- The average number of persons employed by the company exceeds 50.

For companies who fall under Phase I and II of the implementation, there are also waivers available for inactivity and liquidation provided certain criteria are met.

If an iXBRL filing is not made on time, the taxpayer will be subject to potential fines, 10 percent surcharge on the corporation tax liability and/or restrictions on group/loss relief etc. In addition, from a practical perspective, taxpayers should be aware that Revenue will not release any refunds or a tax clearance certificate until a valid iXBRL filing has been submitted (where required) and the corporate tax filing is considered complete and up to date; this could result in a real cash or operational impact.



**BY LINDA SIDEBOTTOM
AND PAUL BRADEN**

Linda and Paul remind us about iXBRL, Revenue's filing requirements in Ireland and what has changed in the past year and offer us some practical tips given their experiences to date

While a late, or non, iXBRL filing brings consequences it should also be appreciated that the quality of the iXBRL filing is important as it forms part of the CT return. As such, the iXBRL financial statements should come under the same level of scrutiny as the Form CT1 itself as a poor quality iXBRL filing may negatively impact on the taxpayer's risk rating with Revenue.

WHAT IS iXBRL?

iXBRL stands for inline eXtensible Business Reporting Language, a global open source business reporting standard. This takes information, applies XBRL tags from a taxonomy (dictionary of terms) and then converts this into

a HTML format. The HTML document can be viewed in a web browser, and while to the human eye it still appears identical to the original document, the underlying XBRL tags applied can be analysed by computer software in a matter of minutes. iXBRL is considered the most efficient way to obtain significant volumes of structured data to allow sophisticated analysis.

The most appropriate tag from the taxonomy should be applied to the relevant piece of information within the financial statements. For every tag applied, you need to consider a number of features such as period context, currency, scale, decimal, does the tag need to be negated, has the most appropriate dimension available been applied etc.; for someone not familiar with the taxonomy, or tagging, it can be a burdensome task.

The value of the iXBRL filing is only as good as the quality of tags applied which has globally led to users of XBRL data calling for such filings to undergo assurance reporting. To date, regulators such as Revenue have tried to address the quality agenda by advising of negative repercussions for poor quality filings.

The USA have had XBRL filing requirements for a number of years and the users of the XBRL data have expanded from solely the

regulator (SEC) to include analysts, investors, academics and auditors as this XBRL data is publicly available. From Q1 2018 the SEC filings will be moving from XBRL to iXBRL recognising the advantages of the latter. The European Securities and Markets Authority recently announced draft plans that all filings under the Transparency Directive (impacting all EU issuers) will be required in iXBRL from 2020.

Regulators globally are moving towards iXBRL filings therefore it should be expected that this compliance requirement may impact more than your CT return in the future.

REVENUE REQUIREMENTS

In most cases the iXBRL filing for Revenue will consist of the statutory financial statements plus a Detailed Profit & Loss account. It should be noted that this may not always be the case so the first consideration should always be, whether preparing or reviewing, is the correct information being converted into iXBRL for Revenue e.g. there are nuances for branches, foreign incorporates with no statutory financial statement requirements, companies in liquidation, Section 110 companies etc. There is a table in Revenue's iXBRL FAQs wherein various types of entities and the expected minimum content and tagging is outlined, with concessions in place for detailed pension and financial instrument disclosures.

WHAT IS NEW IN 2017?

The only recent significant change to Revenue's iXBRL filing requirements is that in June 2017 a new suite of

Irish iXBRL taxonomies including FRS 101, FRS 102 and EU IFRS were finalised. Revenue expect that all iXBRL filings going forward will be completed using the taxonomy aligned to the accounting framework under which the financial statements were prepared, with the exception of Section 110 companies that prepare their CT return using Old Irish GAAP at December 2004.

Taxpayers who transitioned to FRS 101 or FRS 102 previously will have had to tag their financial statements using the old IE IFRS or IE GAAP taxonomy. This meant trying to tag the financial statements with a taxonomy that did not directly align with the accounting standards used to prepare the financial statements.

The new taxonomies should make the tagging exercise easier, however as there are few direct links between the old and new taxonomies, it will not be possible to roll forward prior year tagged files. All iXBRL accounts conversions will need to be commenced as if it were the first year that iXBRL accounts were required. Even those entities that have always used IFRS will need to tag afresh to the new EU IFRS taxonomy. This will result in additional resources being required for iXBRL accounts conversions and it should not be assumed that everything will go smoothly. Therefore it is encouraged to address your iXBRL filing requirements early.

As a result of the new taxonomies being finalised there are a number of items worth highlighting:

Detailed Profit & Loss account

Revenue has required that all iXBRL files submitted from 1 December 2015 include a Detailed Profit &

Loss account (DPL) and Revenue have never prescribed what should be included. Revenue's DPL requirement should be met if a business fully breaks down its income and expenditure items using all relevant DPL tags in the accepted taxonomies.

At present the new suite of taxonomies do not contain a separate DPL section therefore a taxpayer must identify the most relevant tag from elsewhere in the taxonomy. It is understood that Revenue are currently in the process of creating a DPL taxonomy which will complement the new taxonomies and is expected to be available for use in the coming months.

In the absence of a specific tag, or a DPL section in the taxonomy being available, there are three "further item" income statement typed dimension tags which should be applied so that the DPL is fully tagged:

- "Further item of operating income/gain [income statement item, component of operating profit (loss)]";
- "Further item of operating expense/loss [income statement item, component of operating profit (loss)]"; and
- "Further item of non-operating gain (loss) before tax [income statement item, component of profit or loss before tax]".

The mandatory DPL requirement is one of the most discussed aspects of the iXBRL filing.

Section 110 Companies

There are particular nuances for Section 110 (S110) companies that prepare their CT return based on

the Old Irish GAAP as applied at December 2004.

Where a S110 company has not elected to file its CT returns on the basis of single entity IFRS financial statements or modified Irish GAAP and instead decides to file its CT return on the basis of single entity account prepared under Irish GAAP as applied at December 2004 (i.e. Old Irish GAAP), that S110 company should file an iXBRL version of the single entity Old Irish GAAP management accounts upon which it bases its return.

These single entity Old Irish GAAP management accounts should, at a minimum, include a detailed profit and loss account and balance sheet. In addition the auditor's report and the directors' report that are included in the signed accounts should be submitted in the iXBRL file (this information would not be prepared as part of the Irish GAAP as at 31 December 2004 management accounts).

For these companies Revenue have confirmed that it is still appropriate to use the old IE GAAP taxonomy to tag the management accounts, and this is the only scenario that it is acceptable to submit a filing to Revenue using the old IE GAAP taxonomy.

REVENUE'S iXBRL FILING DEADLINE

For accounting periods ending 31 December 2015 and after, there is a 3 month filing period from their CT submission deadline to make their iXBRL filing e.g. 31 December 2016 period end, CT submission deadline of 23 September 2017 and

iXBRL submission deadline of 23 December 2017.

Irrespective of the iXBRL filing deadline being 3 months after the CT submission deadline, Revenue do not consider the CT return complete until a valid iXBRL filing has been submitted. Revenue will not make refunds available for release (for repayment to the taxpayer or for allocation to the account of another company or another tax head) nor will they issue a tax clearance certificate if an iXBRL filing is outstanding. This may have a real cash flow and operational impact.

Revenue have advised that 'draft' financial statements should not be submitted to Revenue in iXBRL without their prior approval, with an exception allowed where the only issue pending is that the director(s) have not yet signed the draft financial statements. Even if prior permission is obtained, Revenue still requires the iXBRL filing to be updated to mirror the signed financial statements. If prior permission is not obtained, and draft iXBRL financial statements are submitted, Revenue will consider that the CT return is inappropriate subject to the usual non-compliance consequences.

ACCOUNTS PRODUCTION SOFTWARE

Digital transformation should involve investigating internal processes to consider using technology in a more efficient and effective manner. When iXBRL requirements were first introduced, the next logical step was that

accounts production software would address the conversion to iXBRL. For finance teams preparing in excess of ten sets of financial statements, accounts production software with in-built iXBRL functionality should be seriously considered given the substantial benefits it can bring.

The majority of taxpayers continue to prepare their financial statements in Microsoft Word or Excel and then convert to iXBRL format. This tells us that there is either very little appetite to invest in technology for finance teams or the current offerings in the market are not considered suitable. If an accounts production software package is being considered, its iXBRL capabilities should be a major consideration.

There are a number of software packages in the market that promise 'automatic' tagging but it has been our experience that these software packages are aimed at very basic financial statements. For anything that differs from the standard accounts production software's template manual intervention is required and in some cases the accounts production software leaves over 50% of the financial statements untagged.

SUMMARY

The key messages to take away from this article are:

- you should take your iXBRL filing requirements seriously as it forms part of your CT return with significant potential issues arising from non-compliance;

- your CT return is considered incomplete until a valid iXBRL submission has been filed with Revenue. This could have a real cash flow or operational impact as there is an additional three months from the CT submission deadline to make the iXBRL filing;
- iXBRL is considered the financial reporting tool of the future so Revenue's iXBRL filing requirements are here to stay;
- all Revenue iXBRL filings should be tagged using the most appropriate taxonomy from the new Irish suite, finalised in June 2017. This will result in additional work, time and potentially cost;
- it is mandatory for all iXBRL filings to contain a fully tagged DPL account;
- if you are contemplating investing in accounts production software you should ensure that the iXBRL capabilities are considered as part of the decision; and
- when in doubt, speak to an iXBRL specialist.

CONCLUSION

Your iXBRL filing forms part of your CT return. Non-compliance with your iXBRL filing requirements can result in potentially substantial

consequences and transitioning to the new taxonomies may not be straightforward. When in doubt, speak to an iXBRL specialist.

Linda Sidebottom is the lead iXBRL Director for KPMG who has been involved since the mandatory HMRC and Revenue iXBRL filing requirements were introduced in 2010 and 2013 respectively

Email: linda.sidebottom@kpmg.ie

Paul Braden is a KPMG Associate Director responsible for the delivery of KPMG's award winning technology to corporate clients in respect of iXBRL and accounts production software

Email: paul.braden@kpmg.ie