iXBRL - Experiences to Date and Recent Developments

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The mandatory filing of iXBRL financial statements by Revenue has now entered Phase 2 of its roll out. All companies filing corporation tax returns, with the exception of those meeting the exemption criteria, are now required to submit financial statements in iXBRL format.

What is iXBRL?

XBRL (which stands for 'eXtensible Business Reporting Language') is a computer readable language for reporting financial information. iXBRL (Inline XBRL) is a development of XBRL which combines 'human-readable' information and computer readable data with the output being a document (i.e. financial statements) that looks like a Word or Excel document but which has electronic tags embedded within it.

iXBRL and Corporation Tax compliance

The filing of iXBRL financial statements now forms part of the corporation tax compliance process. Therefore, as well as filing a form CT1 via ROS, a taxpayer that is subject to mandatory filing of iXBRL financial statements now also has to file its iXBRL financial statements via ROS. The due date for filing is the same as the deadline for filing the Form CT1. However Revenue has stated that as part of its 'soft landing' approach it will, for the moment, allow a concession period of 21 days to file iXBRL financial statements after the CT1 submission deadline. Revenue has indicated that if a taxpayer attempts a 'best effort tagging' approach during the initial iXBRL reporting period, no financial penalties will be applied. However, it is likely that there may be other implications for not filing iXBRL accounts on time such as refunds being withheld or delays in issuing tax clearance certificates etc.

Who is required to submit iXBRL financial statements?

In 2012 Revenue announced that the submission of iXBRL financial statements is mandatory for all companies dealt with by the Large Cases Division ('LCD') of Revenue in respect of tax returns filed on or after 1 October 2013, relating to accounting periods ending on or after 31 December 2012.

Then in 2013 Revenue announced that the submission of iXBRL financial statements is mandatory for non-LCD companies in respect of tax returns filed on or after 1 October 2014, relating to accounting periods ending on or after 31 December 2013. This does not apply to entities who meet all three of the Revenue's iXBRL exemption criterial (balance sheet value not exceeding €4.4m; turnover not exceeding €8.8m and average employee numbers not exceeding 50). These 'exempt' companies will be mandated at a date still to be decided by Revenue.

Why has Revenue introduced iXBRL filing?

Revenue envisages improved reporting and analysis capability, as well as reduced related costs, seeing the capability to perform instant analysis of high value data using their existing computer systems. This provides them with the capability to compare and contrast other similar sized and structured entities relatively easily. iXBRL should lead to Revenue focussing their attention on identified risk areas.

What have our experiences been of the iXBRL Phase 1 and Phase 2 roll out to date?

While we have had a successful iXBRL implementation experience to date with high compliance rates across our client base, we understand that in general, the compliance rates across all corporation tax payers has not been as high as Revenue would have envisaged. However, as time progresses the number of iXBRL filings are expected to increase particularly given that Revenue are likely to undertake a more targeted approach to ensure compliance.

We have experienced some complacency in the market place to the new iXBRL filing requirements, with many taxpayers having a reactive rather than proactive approach. We have seen that those clients, who reacted quickly, set up processes and filed early, found the overall process far less onerous than the clients who tried to ignore the problem until the last minute.

The absence of client specific technical validation on Revenue's test site means that many issues can only be highlighted and dealt with once the submission of the iXBRL financial statements is made. This can lead to issues at peak times when tax filings are being made.

What are the more recent developments in the area of iXBRL?

Revenue's roll out of iXBRL has been evolving over the past 12 months and there are a number of areas which tax payer should be aware of.

New CT1 form issued on 27 March 2015

The new Form CT1 was issued on 27 March 2015. This new form now includes a section on the obligation to file electronic financial statements and a requirement for companies to select the appropriate category of company which applied to it in relation to iXBRL and it details the minimum content and tagging required in the iXBRL financial statements.

Phase 2 (all non-LCD companies) iXBRL exemption criteria and transitional arrangements

A non-LCD company is exempt from the Phase 2 iXBRL filing obligation if it meets *all three* of the following criteria:

1. The balance sheet total of the company does not exceed €4.4m million;
2. The amount of the turnover of the company does not exceed €8.8m; and
3. The average number of persons employed by the company does not exceed 50.

The meaning of 'balance sheet total' has given rise to many queries and to allay confusion, Revenue has changed its meaning from 'Total Net Assets' to 'Aggregate of Assets without deduction of liabilities' This brings the threshold of €4.4m into line with the way it is applied by the Companies Registration Office. There are no changes to the other two criteria and all three will still have to be met to avail of exclusion from mandatory iXBRL filing under Phase 2.

As a result of the change in relation to the 'balance sheet total' definition, *transitional arrangements* apply in respect of the Phase 2 'Balance Sheet Total' criterion such that no changes are required by Corporation Tax filers that use the 'Total Net Assets' test on Corporation tax returns filed to date. For the period from now until 31October 2015, corporation tax filers may use *either* the 'Total Net Assets' test or 'Aggregate of Assets without deduction of liabilities' test when determining if they are excluded from the mandatory iXBRL filing under Phase 2. This means that some companies may find themselves exempt this year but subject to the iXBRL requirement in future years when the transitional arrangements no longer apply.

Dormant company exemptions

Companies that are inactive are exempt from the requirement to file iXBRL financial statements. Revenue classify a company as inactive where there is no activity in the accounting period i.e. no income or expenses on the Profit and Loss account (annual CRO and audit fees can be ignored); and a balance sheet movement of less than €500. Companies are no longer required to apply to Revenue for this exemption following the release of the new CT1 form in March 2015. A company that does not meet the above conditions may still request an exemption from filing their financial statements from their tax district if they consider their circumstances warrant such an exemption.

Inclusion of a Detail Trading and Profit & Loss Account ('DPL')

The new Form CT1 issued in March 2015 sets the requirement for the full tagging of financial statements to include a Detailed Trading and Profit & Loss account ('DPL'). The inclusion of a DPL has been driven by Revenue no longer requiring tax payers to complete the extract of accounts section of the Corporation Tax return. However, the format of the Profit & Loss Account, as required by the Companies Act, does not provide the level of detail required in the prescribed Form CT1. This is why the DPL is required in the iXBRL file. In the case of businesses that are not bound by the Companies Act, but are obliged to file the financial statements in iXBRL, they are also required to include the DPL in the iXBRL file.

To clarify the level of detail required, Revenue has included representative DPL information in its iXBRL FAQs which it requires to be included and tagged. The DPL requirements should be met if a business fully breaks down its DPL income and expenditure items.

Group holding companies

The new Form CT1 issued in March 2015 sets the minimum iXBRL requirement for group holding companies to be a DPL and company only balance sheet.

Revenue's iXBRL FAQ's however detail further what Revenue's expectations are for these type of companies. Revenue permits a group holding company which prepares both consolidated financial statements and non-statutory individual company financial statements to choose to convert either set of financial statements into iXBRL to accompany that individual company's corporation tax return so long as both include a Directors Report, an Auditor's Report and Opinion, A Detailing Trading and Profit & Loss Account, Balance Sheet and Notes to the accounts.

In the cases where only consolidated financial statements are prepared, the information to be tagged for the holding company must include a Company only balance sheet and the related Company only balance sheet disclosure notes; a separate Detailed Trading and Profit Loss account ('DPL') for the company; the Directors Report, Auditor's Report and Notes to Accounts. This individual company DPL should agree to the CT1 return as submitted to Revenue and should be appended and tagged to the consolidated financial statements such that one document in iXBRL format can be submitted.

Soft landing approach

Revenue recognises that the move to iXBRL will be a significant change for some tax payers and has stated that it will take a 'soft landing approach' and not impose late filing surcharges or other penalties in respect of errors in the creation or filing of iXBRL tagged financial statements for a period of 2 years following mandation where a taxpayer has made reasonable efforts to comply with their obligations.

Introduction of FRS 101/102 and new taxonomies

Current Irish GAAP is being replaced by a new financial reporting framework with 3 new standards, namely FRS 100 and FRS 102. The new Irish GAAP applies to accounting periods commencing on or after 1 January 2015. Revenue is in the process of approving new taxonomies for FRS 101 and FRS 102 and when a company adopts the new GAAP, the first financial statements prepared under this new GAAP will need to be converted afresh using the new taxonomy.

Summary

The roll out by Revenue of iXBRL has been an evolving process and it has represented a significant change for many companies. There are many intricacies of Revenue's iXBRL filing requirements and if you are unsure of how they would impact your business, you should seek the advice of an iXBRL specialist.

Our team

John Poole
Partner
t: +44 289 9089 3854
e: john.poole@kpmg.ie

Linda Sidebottom
Director
t: +44 28 9089 3786
e: linda.sidebottom@kpmg.ie

Paul Braden
Manager
t: +44 28 9089 3807
e: paul.braden@kpmg.ie

Kim Coulter
Manager
t: +44 289 9089 3747
e: kim.coulter@kpmg.ie

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