HMRC, UK revises iXBRL Filing Requirements: Moves from UK GAAP to IFRS Taxonomy

A 4 Point Summary on the Impact on Filers

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Executive Summary

Her Majesty's Revenue and Customs (HMRC), UK has revised the mandatory iXBRL tagging requirement for filing Corporate Tax returns (CT returns) comprising statutory accounts and tax computations, effective January 1, 2015. This is the cascading effect of a change in the underlying reporting standard from UK GAAP to IFRS. The iXBRL tagging for CT returns for 2015 and onwards is to be done using the revised XBRL taxonomy which came into effect from January 1, 2015. Additionally, the scope of tagging has been revised from 'minimum tagging requirements' to 'full tagging'. Several other changes have been introduced in the revised iXBRL taxonomy such as introduction of typed dimensions, besides the change in the underlying reporting standard.

Companies following UK GAAP will see a major impact on their reporting process owing to this change. The change in reporting standard will affect the categorization and presentation of reporting concepts in CT returns. Entities are required to restate figures for previous years' financials according to the new standard in their 2015 returns.

This whitepaper explains HMRC's revised iXBRL tagging requirement and how filers can prepare themselves for it.

Revised iXBRL Tagging Requirements

The UK Government's department for corporate tax collection, Her Majesty's Revenue and Customs (HMRC) had mandated the iXBRL tagging of Corporate Tax Returns or CT returns from April 2011. Since then, all UK companies have been filing their statutory accounts and tax computations electronically, using inline XBRL (iXBRL). iXBRL is a global data standard for information exchange. It is a well-formatted HTML file with the XBRL information embedded beneath, combining the machine readability of XBRL with the human readability of HTML.

The order which was introduced in 2009 mandated iXBRL tagging of CT Returns from April 2011 and since then the iXBRL tagging and data transparency has seen significant improvements in the UK. In an effort to further strengthen the reporting framework of the country, the Financial Reporting Council (FRC), UK's regulator for accounting, audit and actuarial professions, recently announced a switch from UK GAAP to the IFRS standard. As a result, new versions of the underlying XBRL taxonomy used for iXBRL tagging have also been released. The revised iXBRL reporting framework is expected to bring about a major transformation in the scope of filing as companies switch from the previous XBRL taxonomy based on the UK GAAP to the EU adopted IFRS taxonomy.

This switch in reporting standard is expected to bridge the gap in establishing international benchmarks for reporting within the UK, especially for non-publicly accountable entities.

As per the new framework, all entities will have to adopt and report in accordance with the Financial Reporting Standards (FRS) 100,101 and 102 which are derived from the base IFRS standard. However, smaller entities that follow the Financial Reporting Standard for Smaller Entities (FRSSE) do not fall under the purview of the new revised iXBRL filing requirement. The iXBRL tagging mandate will become effective for annual filings submitted on or after April 1, 2015, in a phased manner such that most companies will use it for the first time in 2016.

Impact of Revised iXBRL Tagging Requirements: Who is Affected?

The introduction of the new reporting standard and therefore taxonomy along with the revised iXBRL tagging requirement will have varying impacts on entities depending on their nature and size. Companies which follow UK GAAP will see a major impact on their reporting framework as they will have to follow the FRS 102. On the other hand, listed entities will see a limited impact as they are already complying with the EU-adopted IFRS for consolidated accounts. Moreover, a select few companies will also have an option of 'Reduced Disclosure'. The reduced disclosure framework addresses the financial

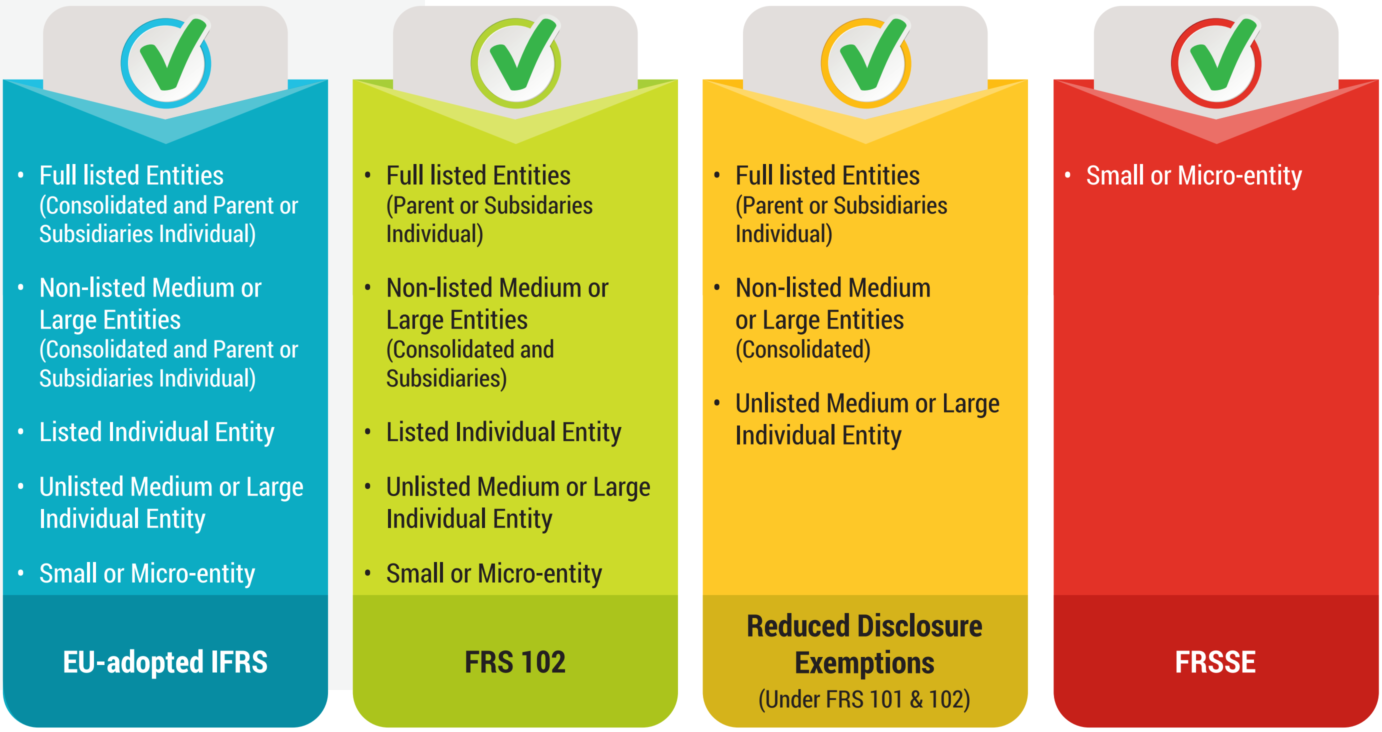

Figure 1: Applicability of Accounting Reporting Standard

reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. To understand the specific impact on their reporting framework, entities first need to determine which category they fall into for tax reporting. Figure 1 will help in deciding the applicable category:

Move from UK GAAP to IFRS – Points to Look Forward to:

The HMRC's new rules for iXBRL tagging of financial statements are prompted by the FRC's decision to replace UK GAAP as the underlying taxonomy. Therefore, the biggest impact of the change will be on companies that have to transition from one reporting standard to the other.

Here is a 4 point summary on the HMRC's revised iXBRL tagging requirements to help filers prepare themselves.

1. Effect on Presentation of Accounts

The Financial Reporting Standard (FRS) 102, which has the look and feel of IFRS, is a single standard to replace the existing UK GAAP. Entities will have to understand the implications of the new standard, analyze it and then implement new approaches to prepare their statutory accounts. The change is evident when it comes to the increased disclosure requirement and presentation of financial statements.

Figure 2 below uses the example of 'measurement of financial instruments' to illustrate the change one can expect in the pattern of reported concepts due to the change in the underlying reporting standard.

	UK GAAP	FRS 102	Reporting Challenge
Measurement of Financial Instruments	Under current UK GAAP, derivatives are typically held off balance sheet, with only those changes reported in P&L that are offsetting the gains and losses in the underlying exposures when these are themselves recognized.	Here, derivative financial instruments will be brought on balance sheet at fair value with changes recorded through the profit and loss (P&L) account.	This major shift will be: • Impact on net earnings. • Increase volatility for P&L and total assets and liabilities.

Figure 2: Example to illustrate the changes in the pattern of reported concepts

The change in reporting standard will bring about a corresponding change in the measurement and recognition of various financial concepts like business combination, deferred tax, investment property, defined benefit pension plans as well as amendments in tax computation and returns. This, in turn, may have an implication on the representation of the company's income statement and balance sheet.

2. Effective Start Date for Revised iXBRL Tagging

Compliance with the revised iXBRL tagging requirement is mandatory for CT returns starting January 1, 2015. Additionally, the transition will require the previous balances of reported accounts to align with the new rules hence early adoption is encouraged.

Entities having accounting period ending in December 2015 will have to restate the UK GAAP financials for the previous year in FRS 102 and submit these in their December 2015 filing. For these companies, this is the opportune time to start with the implementation of new systems and processes. Entities with July year end should also plan for early adoption to take advantage of the reduced disclosure framework. Setting aside enough time to adopt new rules will help entities smoothly execute the transition and avoid last minute hassles.

3. Change in XBRL Taxonomy for iXBRL Tagging

The FRC published the FRS taxonomies in September 2014. The iXBRL accounts with new FRS taxonomies will be applicable from January 2015.

Mentioned below are some key changes in the FRS Taxonomies versus the UK GAAP:

- Concept of tuple dimension eliminated from iXBRL tagging.
- Typed dimension introduced which replaces the need for tuple grouping – a concept used in tuple tagging. Typed dimensions allow infinite repetition of group tags.
- Guidance tags have been introduced in the revised iXBRL tagging for cross-reference.
- 'Fixed Value' tags have been standardized and the concept of 'enumerated value' has been dropped from the revised iXBRL tagging requirements.
- Consistency checks will be published by the FRC for summation and checks on tagging for typed dimension and other related data.

Companies need to ascertain the complexity of their accounts, assess the change due to the new iXBRL tagging rules and then plan accordingly for timely execution of revised requirements.

4. Change in Scope of iXBRL Tagging

Unlike the earlier mandate, where there was a minimum tagging scope defined in the UK GAAP taxonomy, the revised mandate encourages full tagging. In addition, the presence of dimensional elements and cross-reference tagging patterns are crucial aspects to be understood. This will have a big impact on the time and effort required for creating the iXBRL document.

Summary

Any change brings with it uncertainty and adjustment. But being armed with a better understanding of the change and ways to mitigate challenges arising from it, can prove to be an opportunity for betterment. In this case too, with the change in the reporting standard as well as the new iXBRL tagging requirement, it would be best for all stakeholders to improve their understanding and knowledge of iXBRL tagging and get their employees trained accordingly. In addition, existing iXBRL tagging software should be updated to consume the new XBRL taxonomy and handle the revised scope of tagging.

Companies that are already using sophisticated disclosure management systems such as IRIS CARBON™ which come pre-loaded with the taxonomy, need not worry about this new requirement. Others who are availing managed tagging services need to initiate a discussion with their tagging solution provider to implement the change.

Having an experienced partner who can provide solutions that are already ready to handle the new HMRC mandate will be a key factor for companies to be able to manage this change successfully. IRIS has been working on HMRC's iXBRL mandate since it was first introduced in 2011. With over 4 years of experience and a team of expert consultants, we are just the partner you need to manage your iXBRL tagging smoothly.

About IRIS

IRIS Business Services Limited is a leading structured data solutions company with global presence in regulatory and compliance reporting software. The firm is uniquely positioned with offerings across the spectrum of creation, management and use of structured data in the realm of business and financial reporting. IRIS serves a client base that includes regulators in over a dozen countries around the world, leading banks, financial market intermediaries, consulting firms, financial printers as well as large and small enterprises. Our partner network includes the Big 4 accounting firms, system integrators and specialized software and consulting firms that use IRIS' products and expertise to enhance their offerings to end clients.

Learn more about us at: www.irisbusiness.com

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