

**essential***iXBRL*

***The Complete Guide to iXBRL  
Reporting in Ireland***

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**The facts in this document were checked and verified as correct by Revenue.**



## ***What's happening?***

In short, Revenue has adopted iXBRL as the standard reporting language for submitting financial statements. There will be a gradual transition until eventually all Irish corporation tax payers will submit their financial statements in iXBRL format. The iXBRL obligation came into effect in October last year and is now mandatory for Revenue's Large Case Division customers.

This change is the same one as was implemented in the UK on 1<sup>st</sup> April 2011, however where the UK went for a "big bang" approach, where everyone had to meet one mandatory compliance deadline all at once, Revenue is taking a gentler approach in an effort to avoid the chaos that happened in the UK as a result of the speed of the change.

**The biggest mistake made by UK tax payers was not doing any preparation for the change, something that we'll try and avoid here in Ireland!**

The position of Revenue is to be very supportive during the roll out phase so there's no need to panic. If you act early and take advantage of the optional phase, you can get a "free go" with no additional cost, exposure or penalties for error.

## **Hold on a minute, what's iXBRL?**

XBRL or Extensible Reporting Language is a special language that can be read easily by computers as opposed to people; it's meant to make analysis of information easier by enabling automated analysis of data and reporting to be done by computers where real people used to have to do all the hard graft sifting through individual sets of financial statements.

If XBRL is the language the data is written in then taxonomies are different "accents", there are different taxonomies that are used for specific countries and disciplines, such as Irish GAAP



## **Why are the changes happening?**

In order to understand the rationale behind what's happening, it's worth taking a look at the process before and after:

### **At Revenue before iXBRL:**

Picture the scene, thousands of sets of financial statements, millions of pages all in different formats and file types...there's no way to check what's in them apart from the hard way. It might be tough to feel any sympathy for the tax man, but confronted with checking all this stuff by hand you can at least appreciate the scale of the task at hand.

### **At Revenue with iXBRL**

iXBRL will enable Revenue to automate a lot of the checks they currently perform by hand. The staff at Revenue currently waste a lot of time (both theirs and yours!) investigating "problems" that aren't really there; they've just been suggested by the poor data that is currently available. iXBRL will enable accurate assessment of risk so Revenue spends its time on the right sets of accounts.

## **How will iXBRL help me in the future?**

In the future, you may be able to use your iXBRL data everywhere, not just with Revenue. Imagine how easy it'll be when you use just one set of financial information to create every report you need!

Ireland has the opportunity to move towards Single Business Reporting, an initiative successfully rolled out in The Netherlands, Australia and New Zealand. If adopted you'd use the same data set to create reports for Revenue, CRO, CSO, Shareholder Annual Reports and anywhere else that it is needed.

Brian Boyle of Revenue says "I really hope people don't just see iXBRL as a regulatory obligation; if you think of this as just a tax obligation, all benefit will be lost." iXBRL represents a significant potential reduction in the compliance overhead for businesses in Ireland, eliminating fiddly repetitive data entry, spreadsheet merging and integration.

## When are the changes happening?

Initially the filing of financial statements in iXBRL was introduced on an optional basis for all Corporation Tax and Income Tax Payers in 2012 and it was then mandated for Revenue's Large Case Division customers in October 2013. All other corporate taxpayers, excluding those meeting the Revenue's exempt criteria, will be subject to mandatory iXBRL reporting from October 2014.

### Who is required to submit financial statements in iXBRL format and when:

Commencement Date	Who
1 Oct 2013	Mandatory for all Corporation Tax Payers who are customers of Revenue's Large
1 Oct 2014	Mandatory for all Corporation Tax Payers except those who meet the proposed audit exemption criteria in the Companies Bill 2012
TBC 2015	Mandatory for all Corporation Tax Payers who were previously exempt

The Revenue Board recently decided that with effect from 1st October, 2014, non-Large Case Division customers filing corporation tax returns in respect of accounting periods on or after 31st December, 2013 will be obliged to file financial statements in iXBRL format.

However, this mandate will not apply to entities who meet the proposed audit exemption criteria in the Companies Bill 2012, which are:

- the balance sheet total of the company does not exceed €4.4 million
- the amount of the turnover of the company does not exceed €8.8 million
- the average number of persons employed by the company does not exceed 50

All criteria must be met to qualify for exemption from the October 2014 date. These 'exempt' companies will be mandated in 2015 at a date yet to be decided.

### *This is a window of opportunity*

This change actually became a legal requirement in April 2012, Revenue is overlooking the mandate at the moment to work with Irish tax payers, giving them the opportunity to learn and make mistakes in a safe environment.

### *Get moving now*

It's never too soon to start thinking about how you're going to deal with the requirement. In the UK people didn't take the deadline seriously, a huge number of companies were caught unawares and it cost them a lot of money!

## ***Revenue is here to help...at the moment!***

During the roll out there are no penalties or repercussions to getting your submission wrong. Unfortunately nothing lasts forever and companies who don't act will be subject to the regular penalties and implications once the mandatory phase is established.

## ***Lessons from the UK: What not to do***

### **Don't assume Revenue aren't serious about iXBRL**

In the UK, people assumed HMRC weren't really serious about mandating iXBRL. There were objections raised to its introduction and people made the mistake of assuming this meant the deadline would move or even that the whole initiative would be cancelled.

The mandate was introduced on schedule and many businesses were left in a very awkward position!

Brian Boyle of Revenue has outlined his vision for Ireland, saying "we do not want that level of disconnect with reality happening here."

### **Don't pass responsibility around**

Just because iXBRL can affect multiple people/teams within a business, don't fall into the trap passing responsibility back and forth within different teams and departments in the hope that someone else will deal with it.

The correct approach is to form an iXBRL task force, representing all those affected and tackle the requirement, early and together.

### **Don't leave things until the last minute**

UK tax payers ignored the assistance offered by HMRC to help prepare for iXBRL, believing as they did that the day would never come. This resulted in a colossal 22,000 errors on initial validation out of the 66,513 submitted during the first month.

Many UK companies reached the April 2011 mandating deadline without a concrete plan of how they were going to adopt iXBRL. This translated into crippling emergency or express outsourcing costs, poor decision making and a high error rate. Many companies are faced with starting again in-house when they should be enjoying the benefits of an easier 2<sup>nd</sup> year.

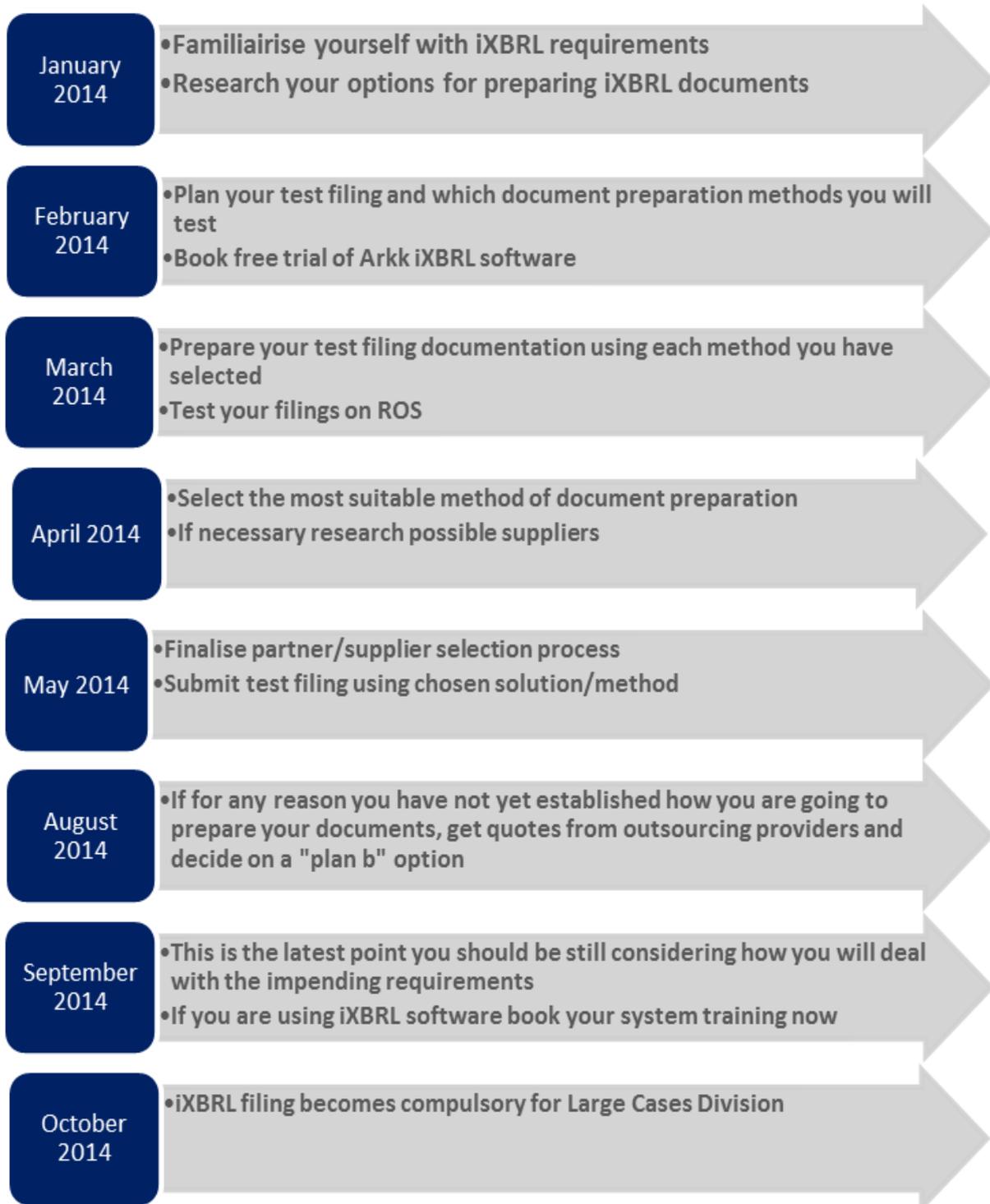
### **Don't ignore the benefits and future spread of iXBRL**

UK companies saw iXBRL as a regulatory burden and were slow to realise any of the additional benefits; iXBRL is now being used to realise efficiencies in wider reporting (both to HMRC and Companies House) and applied to new areas such as carbon disclosure and COREP/FINREP.

iXBRL has been shown to effect massive savings on the public and private sector compliance overhead in other countries and research by the University of Singapore based on 200,000 companies showed that iXBRL adoption reduced the cost of access to equity capital.

## What do I need to do?

We've put together a Roadmap To iXBRL to help tax managers and accountants working for Large Cases Division businesses do everything they need to do in time to comply with the changes:



## What are my options to produce iXBRL files?

### Use Your Current Accounts Preparation Software

If you're already using all-in-one accounts software, you might be one of the lucky ones whose system already has the capacity to produce iXBRL documents.

Not all of them do and you'll need to check whether your system does or not; even if it does you need to make sure you learn how to use the tool in plenty of time as whilst the interface is familiar, the tags won't be.

**Pros:** If you work entirely within software that supports iXBRL and are already comfortable with the interface, this is a hassle free option.

**Cons:** As with any new process you need to allow for an adjustment and learning period if you are doing it yourself for the first time. If your software doesn't support iXBRL, it doesn't make sense to switch to one that does for this reason alone. It's expensive and disruptive!

Also, if you are manually transposing information from your software to your financial statements in Word, Excel etc., then any iXBRL functionality in the software will be bypassed.

### Use a Specialist iXBRL Tagging Software

If your accounts preparation software doesn't support iXBRL or you prepare your financial statements in PDF or Microsoft Word and/or Excel but you want to manage the process in-house then a specialist software is an option that may suit you.

**Pros:** Works along existing systems and some within existing interfaces that you are already comfortable with, cost effective with growing returns over time, easy to expand uses of iXBRL in the business and reap benefits of using it.

**Cons:** Requires initial learning and set up period, not a "last minute" solution.

### Use a Third Party Outsourced Solution

If you haven't got the man power or time to produce these documents in-house, you might want to consider outsourcing the work.

**Pros:** Convenient, can be implemented at the last minute if you come unglued in your planning timetable.

**Cons:** Can be very expensive, especially if you choose a "Big 4" consultancy, provides an ongoing overhead with limited potential for reduction in costs or deriving the "extra value" benefits offered by iXBRL.

### Arkk's Exclusive Blended Outsourcing/Software Solution

Arkk Ireland offers a unique solution that enables you to outsource in the first year to our iXBRL experts, and then bring the work in house for Year 2. The 2nd Year rolls over in minutes, retaining all the 1st year's work, so you just tag any new items in your word or Excel documents. No specialist knowledge is required and minimal training needed plus no manual tagging or repetitive work year on year.

## ***How do I decide which route to take?***

Your decision has to be made based on the following factors:

### **Timeline**

If you take Revenue's advice and prepare early for iXBRL then your range of options is complete. If you leave it until the absolute last minute you may find that your range of options becomes limited.

No matter what system you use to produce iXBRL in-house, there's always a period of adjustment and learning as you become familiar with the technology and tagging language or taxonomies which are new to everyone.

You'll find it hard, if not impossible, to free up enough time to learn this new way of working at the last minute and will be forced to outsource at significant cost to the business.

### **Budget**

Most people have to justify their decisions in financial terms as well as the perceived usefulness of the product/service and so you should make sure you're clear what budget is available to help you meet the requirement and what that might stretch to in terms of a solution.

### **Existing Resources & Working Practices**

It's essential that you and your team take a good look at what is available within the business to help you produce iXBRL documents. Your existing assets often point to the best solution for you. Got bright sparks in your team who are up for learning something new? Keep it in-house and economical with some specialist software.

Many in the UK took this as an opportunity to learn a valuable new skill that made them even more employable. The other big thing to look at is how your team works already; aside from the budgetary considerations of system changes.

Moving out of your old way of working into a totally new environment is a big undertaking requiring a proper degree of training and a period of adjustment that is often very disruptive. If you can, look for a solution that works within familiar programs, systems and ways of working that you are used to.

## ***iXBRL In Detail***

### **What's unique about Irish adoption of XBRL?**

Revenue's mandating of iXBRL in Ireland has a few major differences from how this process has happened elsewhere in the world; anyone whose business sits within the Large Cases Division at Revenue should familiarise themselves with these.

#### **Established Risk Engine**

Unlike in other countries, for example the UK, Ireland already has an established risk engine (REAP). This means that rather than having to find ways to use the new iXBRL data being collected, Revenue will have a way of dealing with it immediately, making the benefits and "point" of doing iXBRL instantaneous.

#### **Soft Roll Out**

One of the major lessons learned by Revenue from roll outs elsewhere was that they needed to support people using a gradual introduction of iXBRL, not having a "big bang" type approach where everyone had to be compliant all at once.

In addition to introducing iXBRL to just the Large Cases Division, Revenue is providing a voluntary window in which people can try out the new iXBRL submission process for their financial statements on ROS with no additional cost or exposure. Their aim is to be a friendly face and helping hand, rather than penalising people for having a go and preparing early for the change.

#### **Irish GAAP & IFRS**

By postponing the decision from 2002 where Revenue felt it wasn't ready to adopt iXBRL, it has given Ireland the chance to learn from and avoid the mistakes of other nations as well as construct flexible, all-encompassing taxonomies or "tagging languages". Brian Boyle who heads up the project at Revenue said "We feel we were right to wait as now there are taxonomies available for pretty much every flavour of accountancy."

### **Revenue Keen To Stress No Risk For Early Filers**

Most people are now aware that Revenue has mandated the submission of financial statements in iXBRL format from October 2013 for all businesses dealt with under the Large Cases Division, but they are actively encouraging companies of all sizes to complete test filings during the voluntary submission period.

The changes have actually been law since last year, but Revenue decided on a "soft launch" approach; Brian Boyle who is heading up the initiative at Revenue explained at a recent Arkk Solutions breakfast briefing "Revenue are temporarily overlooking the mandate to give businesses the chance to learn and make mistakes with no penalties or additional exposure". He added "Revenue want to be seen as supportive, we encourage you to talk to us during this period and seek more information or assistance where necessary."

Revenue are concerned that not enough accountants are taking action early enough as the number of test filings has been very low; Brian Boyle observes "I've had feedback from some

accountants saying ‘Why should we worry now?’ and I can’t express strongly enough that whatever approach you take to dealing with this, now is the time to be getting ready.”

In April 2013, Dublin hosted the international XBRL26 convention indicating Ireland’s increasing importance in the global iXBRL stage. The October 2013 deadline is, of course, just the tip of the iceberg.

Revenue has now announced the timeline for iXBRL mandation for all 170,000 Irish companies and changes in this year’s Finance Bill further extend the scope to Irish branches and agencies of overseas companies.

## Clarification On Inactive/Dormant Companies

A significant number of people have been asking us about financial statements in iXBRL for dormant companies and what the difference between dormant companies and inactive companies is in the first place. During a recent meeting at Revenue, we took the opportunity to get some clarification which we’re going to share here.

Firstly inactive companies and dormant companies are the same thing. The word dormant/dormancy is more regularly used in common parlance (even by Revenue themselves) but it has no accepted definition in Irish law, whereas “inactive” does.

The members of the iXBRL project team were keen to stress that the use of inactive over dormant isn’t a case of them being pedantic for no purpose, the legal framework is behind the decision. So, do inactive/dormant companies have to file statements in iXBRL format? Probably not, so long as they meet the criteria for inactive companies in the first place.

Companies that are inactive may approach their tax district to seek permission not to file returns for the relevant periods of dormancy. Revenue is willing to exempt a company from the obligation to file statements in iXBRL format where the tax district has granted permission not to file.

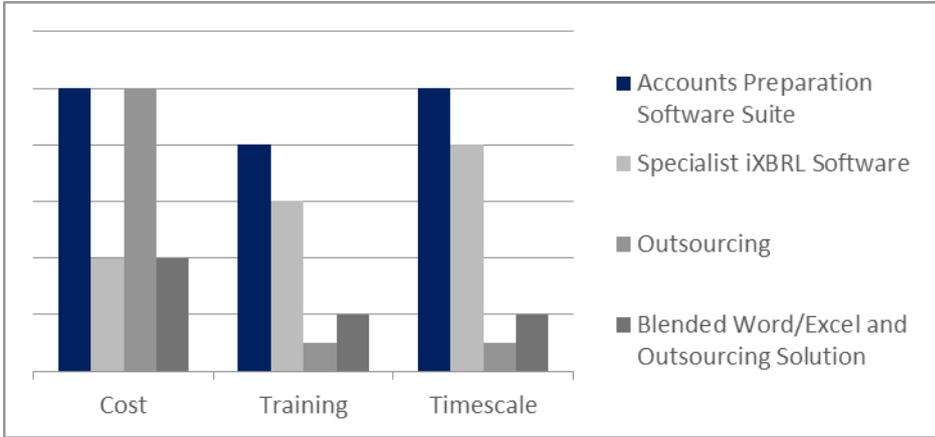
The general rule is this: If you’d have had to file financial statements for a company pre-iXBRL then you’ll still have to post-iXBRL, if you were exempt before and nothing about your situation has changed you should remain exempt after iXBRL has been introduced.

# iXBRL in Pictures

## Factors to consider when deciding on a solution:



## Comparing solutions:



## Keep yourself in the loop

### Bookmark:

<http://www.revenue.ie/en/online/ros/ixbrl/>

<http://www.revenue.ie/en/online/ros/ixbrl/faqs.html>

<http://www.arkksolutions.com/our-blog>

<http://www.xbrl-ie.net/>

## ***About EssentialiXBRL***

Since 2010, Essential iXBRL has converted thousands of documents for submissions to HMRC UK and most recently, to Revenue Ireland.

We specialise in simplifying iXBRL for Companies and Accountancy Firms across the UK and ROI, offering a fully managed iXBRL conversion service for Word, Excel and PDF documents. Our service is cost-effective and convenient.

### **iXBRL conversion in three easy steps:**

#### **STEP 1: CREATE**

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#### **STEP 2: UPLOAD**

Upload your Accounts or Computations and pay

#### **STEP 3: DOWNLOAD**

We email you when your iXBRL document is ready

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