



HMRC AND COREFILING LEAD THE WAY WITH iXBRL

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Mark Holden, Director HMRC Carter Programme

The far-reaching 2006 Carter Report, *Review of HMRC Online Services*, marked a watershed in the relationship of HMRC with its customers. Building on the popularity of established online services, such as the filing of PAYE returns, the report set an ambitious timetable for further measures to increase the use of online services, to promote earlier filing and to provide taxpayers with certainty sooner.

A key element of the recommended changes was to automate the filing of Corporation Tax (CT) Returns using XBRL, the Extensible Business Reporting Language and derivative of the widely used XML markup language.

At the time of the Carter Report, XBRL, which focuses on financial reporting, was rapidly gaining traction with regulators around the world, most notably the US Securities and Exchange Commission, who were drawing up trials for the filing of listed company results in XBRL format.

The benefits to regulators such as HMRC of offering electronic filing were compelling. The ability to receive data electronically, validate and process it with little human intervention offered the possibility of massive improvements

in productivity, liberating HMRC staff from low value tasks, such as processing and error correction, to focus on more complex activities such as compliance and customer support. But with around 2 million companies in the UK, as well as 100,000 tax agents and payroll intermediaries, HMRC was deeply conscious of the need to make the system easy to use in order to retain the public’s growing confidence and trust in online filing. Additionally the software industry, especially the providers of tax computation packages and accounting solutions, would need to be encouraged to develop products capable of processing tax returns in an XBRL compliant format.

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XBRL seemed the natural choice for delivering online filings not only because of the growing global interest in the language but also because of its history of open source development, making it freely available without licence. It was also the primary vehicle for describing the taxonomies (dictionaries) of U.S. GAAP and IFRS (International Financial Reporting Standards) – the latter of which was being implemented throughout Europe as the preferred accounting standard at the time.

Nevertheless, XBRL was not without its challenges. Its syntax and layout could look foreboding to the uninitiated and it did not sit easily with end users, mainly finance professionals and advisors who were not accustomed to computer languages. So HMRC faced the dual challenge of devising a system that would allow the seamless submission of XBRL while shielding end users from the complexities of the language.

It was a challenge that was taken up by CoreFiling, a specialist provider of XBRL software and services and with a long track record of working on electronic filing with HMRC and its predecessor organisations. Working with HMRC and the broader XBRL community, CoreFiling sought to overcome the limitations of so called ‘style sheets’ as the principal means of rendering XBRL content. It was clear to all parties involved in the development that the end user and Agent community needed a method of preparing returns that provided the freedom and flexibility to present the information in the customary “human readable” way yet could yield valid XBRL data for submission in a “machine readable” way.

John Turner, CEO of CoreFiling, is widely credited with coming up with the technical solution – a multi-purpose web page that to all intents and purposes would appear like any other document yet would reveal the underlying, and integrated, XBRL tagging. An iXBRL document, as Inline XBRL documents came to be known, was effectively made up of two electronic skins or layers, so that a user could toggle as desired between a normal looking schedule of figures in a web page and the underpinning XBRL code. Philip Allen, the Chairman of CoreFiling, led the effort to develop an open specification and edited the resulting standard that has been adopted by the international XBRL consortium.

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The iXBRL capability placed HMRC at the forefront of developments not only in the UK but also worldwide. As a result, it is understood that the solution is being closely watched by the international XBRL community and other regulators around the world.

CoreFiling also played an important role in helping HMRC prepare for the processing of XBRL content, leveraging its deep knowledge of XBRL gained through working with regulators around the world. For example, its True North validation and processing engine is used by a number of regulators, including HMRC and Companies House in the UK, for the validation and processing of XBRL content.

Working collaboratively with HMRC as well as an independent consultant, CoreFiling was able to use its specialised knowledge and toolset to convert HMRC’s business needs, expressed as preliminary taxonomies prepared in Microsoft Excel, into a fully compliant XBRL taxonomy.

Holden adds “The successful launch of our iXBRL-enabled online service on 23 November was the result of a highly effective strategic partnership between HMRC and the software developer community.”

An example of joined up government and increasing confidence in XBRL is the joint statement issued earlier this year by HMRC and Companies House. In that statement, HMRC and Companies House recognised that they deal with similar customer groups, and they announced that both organisations will accept company accounts filed online using iXBRL. HMRC’s facility is available now, and the Companies House facility will be phased in from October 2010.

What started as an enormous processing challenge has become something of a showcase for collaboration and innovation. Government departments have worked seamlessly with external bodies and providers such as CoreFiling to share know-how and implement best practice. What started as a recommendation in a report has flourished into iXBRL, a leading edge solution for HMRC, Companies House and their customers.

ABOUT COREFILING

We are one of Europe’s leading XML vendors, with a substantial history in the successful design, publication and validation of XML and XBRL. Our success is based on tools and services created with an uncompromising commitment to engineering excellence. The company is an active member of the XBRL Consortium which oversees the development of the standard.

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