



THE  
INSTITUTE OF  
CHARTERED  
ACCOUNTANTS  
OF SCOTLAND



The Association of Taxation Technicians

Chartered  
Institute of  
Taxation  
Excellence in Taxation



1 February 2011

David Gauke MP  
Exchequer Secretary to the Treasury  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

by e mail to [XST@hmtreasury.gsi.gov.uk](mailto:XST@hmtreasury.gsi.gov.uk)

Dear Mr Gauke

### **iXBRL accounts requirement is imposing unacceptable burdens on business**

This is a joint letter from the Association of Accounting Technicians, Association of Chartered Certified Accountants, the Association of Taxation Technicians, the Chartered Institute of Taxation (CIOT), the Institute of Chartered Accountants in England and Wales (Tax Faculty) and the Institute of Chartered Accountants of Scotland.

We are writing to express our deep concerns about the forthcoming mandatory requirement that all UK companies should submit statutory accounts to HM Revenue & Customs (HMRC) in iXBRL format with effect from 1 April 2011, and about HMRC's proposals for the 'transition.'

We strongly recommend that the plans are revised to recognise the adverse impact of delays in software availability and implementation problems. These issues will disadvantage a substantial proportion of UK businesses, with small to medium sized businesses and their agents being hit the hardest, running the risk that precious management time is diverted away from customers and growth towards red-tape and compliance. The capacity to file accounts in iXBRL is an important long term investment for agents. They should be given the opportunity to implement software and systems in a measured and methodical manner but in the present combination of circumstances this aim is incompatible with the 1 April deadline

ARTILLERY HOUSE  
11-19 ARTILLERY ROW  
LONDON SW1P 1RT

REGISTERED AS A CHARITY NO 1037771

Tel: +44 (0)844 251 0830  
Fax: +44 (0)844 579 6701  
E-mail: [technical@tax.org.uk](mailto:technical@tax.org.uk)  
Web: [www.tax.org.uk](http://www.tax.org.uk)



UK REPRESENTATIVE BODY ON THE  
CONFEDERATION FISCALE EUROPEENNE

Members of our bodies are generally enthusiastic about doing business with HMRC online. However the imminent implementation of iXBRL for statutory accounts is imposing heavy and unnecessary administrative burdens on many UK businesses and their agents – CIOT expressed concern over this at the meeting with you in June 2010. The appendix provides some further background.

HMRC have indicated for more than one year that if software was not ready and working they would seek to amend the mandate. We are at that stage now and amendment to the plans should take place by allowing submission of statutory accounts in PDF format after the 1 April 2011 deadline for a period.

### **HMRC proposed guidance**

HMRC is now proposing to publish new guidance on its website to cover the initial 'transition period'. We consider that the proposals are confusing, cloud the issue of what precise iXBRL tagging is required to satisfy HMRC, and fail to address satisfactorily the plight of those still struggling to implement software or having failed to receive it. The guidance is contrary to both the Government's stated aim of reducing the level of administrative burdens on business and the 'Carter principle' of having satisfactory solutions available for a reasonable period before implementation (Lord Carter indicated at least a year and stated: 'HMRC should not require online submission of company tax returns until XBRL has been implemented and has bedded down.').

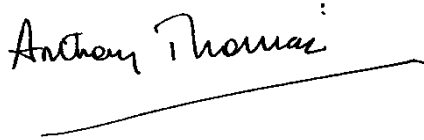
### **Recommendations**

We recommend an immediate amendment to the implementation plan, as follows:

- From 1 April 2011 companies should be required to file their CT computations in iXBRL together with the CT600 return online – as mandated.
- The accompanying statutory accounts should be acceptable in either iXBRL or PDF format for a period – we suggest a minimum of six months, to be reviewed as the market progresses.
- Full implementation of iXBRL-based CT online filing including statutory accounts should proceed thereafter, although for the following 12 months HMRC should accept any CT return as valid if its iXBRL tagging meets the HMRC gateway validation criteria, even if this falls short of the 'minimum tagging list'.
- Professional bodies should encourage their members to file both accounts and computations in iXBRL as soon as is feasible.
- For the year beginning 1 April 2011 and for the two years following, HMRC should be particularly lenient in relation to any late filing penalties for CT returns and when considering rejecting returns due to iXBRL related issues.
- HMRC should take swift action to advise taxpayers and agents of these refinements to the implementation plan, and should issue clear guidance on how the current problems arising from non-delivery or late delivery of software are being addressed.
- Changes to the implementation plan should be enshrined in legislation.

We hope that you will consider our proposals and we would be happy to discuss them with you. We also hope that the professional bodies will continue to work on this with HMRC through the Carter Agent Steering Group.

Yours sincerely



Anthony Thomas  
Deputy President, CIOT



Chas Roy-Chowdhury  
Head of Taxation, ACCA



Donald Drysdale  
Assistant Director, Taxation, ICAS



Simon Bradley  
President, ATT



Frank Haskew  
Head of Tax Faculty, ICAEW



Aleem Islan  
Technical Manager (Accounting), AAT

Cc Brian Redford [Brian.Redford@hmrc.gsi.gov.uk](mailto:Brian.Redford@hmrc.gsi.gov.uk)  
Jim Harra [jim.harra@hmrc.gsi.gov.uk](mailto:jim.harra@hmrc.gsi.gov.uk)

## Appendix

### Background to iXBRL issue

Putting aside our reservations in mandating the use of software which had not been designed, let alone developed, launched and tested, we agreed to work with HMRC to encourage the software market to develop and produce software in good time for mandation.

HMRC assured us that software would be available from the major suppliers by autumn 2010. Given a busy period in the tax profession over November through to January and with less than six months for users to implement software, train staff and test their new processes, mandation by 1 April 2011 was always going to be an extremely tight target.

It can take companies months to install new software, train staff, and develop and implement new methods of working. For tax agents it can also take a long time to agree with clients on new methods of working and persuade them to accept these. None of this can be done until the new software has been installed and tested.

The electronic submission of CT computations is proceeding well, with over 60% submitted online in December 2010. We continue to support that process. There are however problems with statutory accounts.

With only two months until the planned mandatory implementation of iXBRL online filing, two substantial providers of accounts preparation software have failed to deliver their iXBRL-enabled software products.

Companies and agents planning to use other software solutions for preparing iXBRL-compliant accounts are also facing difficulties:

- Practitioners using another leading accounts preparation package already released are finding that 'automatic iXBRL tagging' extends to only a proportion (typically up to 80%) of the items on HMRC's minimum tagging list, leaving the remainder to be tagged manually. Manual tagging is a time-consuming and costly process requiring staff with tax and iXBRL skills estimated at an additional £200 to £500 per small company.
- In some cases expensive replacement of hardware has been necessary in order to support the new software – and agents are not aware of this until they have tried to install and test the software.

We previously recommended a penalty-free period to enable companies to file late without penalty until their software difficulties had been resolved. However, on further discussion with HMRC, we think this could lead to workflow problems for HMRC. We now believe that allowing the filing of PDF accounts for an interim period, plus the suggested soft landing on penalties, would provide a better result for all parties.