

Consultation Document

Proposed implementation of electronic filing of Financial Statements and Tax Computations with Revenue using iXBRL

Proposed implementation of electronic filing of Financial Statements and Tax Computations with Revenue using iXBRL

Background

Increased adoption of Revenue's on-line services is considered essential in fully realising the efficiencies – for both taxpayers and Revenue – that information and communications technology can offer. Revenue now provides a wide menu of on-line services: the long-established Customs entry processing, ROS for business and self-assessment taxes, on-line Vehicle Registration Tax, PAYE Anytime, eStamping and, most recently, eRCT.

On-line services provide real and tangible benefits for taxpayers, their agents and for Revenue. The benefits for taxpayers/agents include greater accuracy, speed and convenience (which all translate into lower costs). For Revenue, take up of on-line services frees up increasingly scarce resources from low-value tasks, such as data entry and error correction, allowing greater focus on taxpayer support and compliance.

More extensive use of on-line filing also facilitates the simplification of paper forms and the collection of data for purposes of informing policymaking and risk profiling.

Extending the use of on-line filing also featured in the report of the Commission on Taxation which recommended that where data is required to allow the appropriate evaluation and cost benefit analysis of tax expenditures, the taxpayers and businesses availing of the tax expenditures should be required to e-file their tax returns¹.

The next step for Revenue in this process is to move to the acceptance of Financial Statements and Tax information in iXBRL format.

Electronic filing of Financial Statements and Tax Computations

The purpose of this document is to update tax practitioners and other interested parties on the proposed introduction of an additional electronic filing service with Revenue.

The service will facilitate the electronic filing to Revenue of Financial Statements and Tax Computations in iXBRL file format. Financial Statements and Tax Computations will be electronically filed on Revenue's Revenue On-line Service (ROS) as an attachment to the

¹ Recommendation 5.42.

current electronic Corporation Tax return Form CT1. In the longer term it is proposed to extend this facility to Financial Statements and Tax Computations for Income Tax Payers. Revenue is also considering whether the submission of Tax Computations in iXBRL format may eliminate the need for both Forms CT1 and Form 11.

What is XBRL?

XBRL stands for eXtensible Business Reporting Language. In simple terms this is a language which allows accounting and tax data to be presented in a format that can be understood and analysed by computer. Pieces of data are assigned “tags” which allows them to be recognised as specific items such as gross profit etc. The XBRL “language” is interpreted through “Taxonomies” which are essentially dictionaries that identify the meaning of each tag. (See Taxonomy Issues below).

What is iXBRL and why has Revenue chosen this option?

“inline” XBRL is a version of XBRL which allows XBRL documents to be presented as normal human-readable documents. In effect the “tags” which interpret the document for computer analysis are hidden in the file but each document is presented, whether on screen or in printed format, in the same manner as a non-XBRL document. This has the advantage of allowing taxpayers, their agents and Revenue staff to view and refer to Financial Statements and tax computations in the same way that we have always done. It also allows for the inclusion of “non-tagged” items on documents ensuring that taxpayers or agents will not have to produce any separate versions of these documents for Revenue.

In the UK, HM Revenue & Customs have been receiving all Financial Statements and Corporation Tax computations in iXBRL since April 2011.

What is planned by Revenue?

Initial Optional Filing of Financial Statements

It is intended to provide this service by late 2012. While our initial focus will be on taxpayers whose affairs are managed by Revenue’s Large Cases Division (LCD) the option to submit Financial Statements in iXBRL format will be available to all taxpayers from that time.

Mandatory electronic filing of Financial Statements using iXBRL

Revenue proposes to make mandatory the submission of Financial Statements in iXBRL by LCD Taxpayers making returns from September 2013 onwards.

Thereafter, Revenue will implement a phased roll-out of mandatory submission of Financial Statements in iXBRL for all business taxpayers who are required to electronically Pay and File with Revenue. The roll-out of mandatory iXBRL will follow the same general sequence as for mandatory Pay and File on ROS.

Electronic Filing of Tax Computations using iXBRL.

Following development of a suitable taxonomy (See below) Revenue proposes to accept submissions of tax computations in iXBRL format. The roll-out of mandatory iXBRL for tax computations will come after the roll-out of submission of Financial Statements.

Taxonomy Issues

As above, taxonomies are the dictionaries which allow computer systems to recognise particular pieces of data as relevant financial information.

XBRL taxonomies are freely available for download.

Taxonomy extensions are supplementary dictionaries which cater for additional data which is not addressed in a primary taxonomy.

Financial Statement Taxonomies

Revenue proposes to accept Financial Statements prepared under both IFRS and GAAP using iXBRL.

A taxonomy for IFRS is freely available.

GAAP Issues

Due to the fact that a full up-to-date taxonomy for Irish GAAP is not yet available Revenue proposed to accept GAAP accounts using the UK

GAAP taxonomy supplemented by an Irish extension. This extension will cover a small number of areas not catered for under UK GAAP but considered relevant from a tax risk point of view. The principal areas to be covered will be Directors' indebtedness to companies and intra-Group payments.

The "Irish Extension" will be made freely available for download in early 2012.

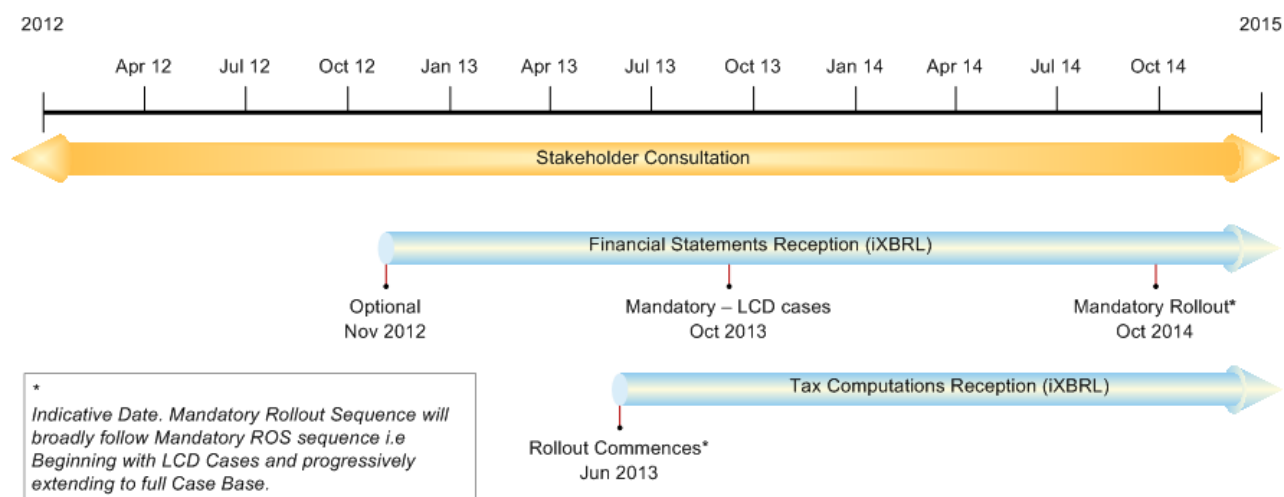
Tax Computation Taxonomy

Revenue is currently engaged in developing a taxonomy to support the presentation of tax computations in iXBRL. Our approach to this task is to strike a balance between capturing all necessary data and minimising the size of the taxonomy, and hence the overhead for taxpayers. We are currently working on establishing the key areas of tax computation to be captured and will develop a set of XBRL tags to gather this information.

Enabling Legislation

It is intended to provide a legislative basis for this development in the Finance Act 2012.

Overall Timeline



Consultation Process

Revenue is interested in hearing the views of practitioners, taxpayers and other interested parties on the proposals contained in this document.

Revenue is particularly interested in hearing your views about the preparation required by tax practitioners and accountants to meet with the requirements of these proposals as set out above.

Ongoing Consultation

Beyond this initial consultation Revenue will engage with taxpayers, agents and all interested parties throughout the development and roll-out of our iXBRL programme and we will work with you to try to deal with any areas of concern in a mutually acceptable manner. Our objective is to make the implementation of this development as smooth as possible for all concerned.

Submissions to Consultation Process

Submissions should be addressed, before 29 February 2012 by letter, or preferably, by eMail.

Postal address:

**Brian Boyle,
Large Cases Division,
Setanta Centre,
Dublin 2.**

eMail address:

Brian.Boyle@Revenue.ie

All submissions received will be subject to the Freedom of Information Acts.