

iXBRL and XBRL Tagging – Responsibility for the Company Tax Return

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A number of our customers have raised some very similar points regarding various aspects of iXBRL tagging and this article attempts to deal with these points.

A tax agent recently requested that Sage Corporation Tax (powered by Abacus) software provides the functionality to print a copy of the CT computation and return that shows which values had been tagged and the tag applied to each of them. The reason being that the tax agent believes the legal responsibility for having a correctly tagged computation lies with the directors, and if they were able to sign a copy of the tax computations and return that included the named tags this would ensure that this was the case. This is instead of the current situation where the tax agent is, by default, liable if tags are omitted or applied incorrectly.

In particular, the tax agent is not so concerned about this during what has been referred to as the 'soft landing period' for iXBRL (based on HMRC's published guidance), but is thinking about returns that are not covered by this transitional period.

This request highlights a number of issues:

- The CT600 (and any required Supplementary Pages, CT600A to CT600J) aren't XBRL tagged; the electronic version of them is an xml file both under the pre iXBRL regime and in the iXBRL regime. Accordingly, no XBRL tagging is required. The CT600 and Supplementary Pages can be printed as has always been the case.
- A company tax return (CTR) comprises the CT600 (and any required Supplementary Pages), the iXBRL tax computations, the accounts (which will normally be in iXBRL format but in certain circumstances may be a PDF file) plus any other attachments required such as a claim or election that cannot be made in the CT600 or computations – these must be submitted as PDF files.
- If the tax agent wants his clients to 'sign off' a printed version of the iXBRL tax computations, what about the accounts – are the iXBRL accounts also to be 'signed off'? Whilst mentioning the accounts, there is a point that was raised very early on by software vendors and others too that the tax agent should not be responsible for the XBRL tagging in the accounts where they are not produced by the tax agent's firm.
- The responsibility for the CTR lies with the person signing the declaration who must be authorised to do so by the company. There is a presumption that the person actually filing the CTR online is authorised to do so; in the past this may often have been evidenced by keeping a hardcopy of CTR on file or an email trail showing that the CTR is 'approved' and may be filed online.

This is still the case but does that responsibility extend to the XBRL tagging? In short, yes it does!

The responsibility for the CTR lies with the authorised signatory as outlined above and since the CTR includes the iXBRL tax computations and the iXBRL accounts then the tagging of them is also their responsibility. Clearly this will add to the administrative burden if it were taken to the extreme such that each and every item had to be checked that it needed to be tagged and if so is tagged with the correct tag. And do HMRC expect this? HMRC have said that broadly there should be little impact on the filing process.

Where a company engages a tax agent to prepare the CTR then the terms of any letter of engagement will be an important factor.

In the past it would generally have been the case that the tax agent prepares the CTR for the authorised signatory to approve and such preparation would involve the professional judgement of the tax agent on the facts made available. If upon an HMRC enquiry there was an underpayment of tax, the likelihood is that the company would have paid this. Any interest and/or penalty that resulted may well have been settled by the tax agent if the tax agent was at fault.

The point is that the tax agent is engaged to provide a professional service and will now inevitably have to use software to assist in the CTR compliance process. The need to prepare iXBRL tax computations and file them, and the iXBRL accounts, as part of the CTR should be seen as part of that professional service (depending on the terms of any letter of engagement).

It's important to appreciate that the current penalty regime does not impose a penalty for incorrect or incomplete XBRL tagging per se. A penalty will only be relevant where the return is filed late and/or gives rise to an understatement of tax. It is worth noting at this point that under Corporation Tax Self Assessment (CTSA) a company's corporation tax liability is made via the CT600 (plus any appropriate supplementary pages) and, as already mentioned, they're not tagged.

Remember that CTSA is the mechanism for generating the corporation tax liability – see CT600 box 86 'Tax payable – this is your self-assessment of tax payable'. Unless the CT600 itself is populated using XBRL tags, it is not possible for deficient tagging can give rise directly to an understatement of tax.

As long as the XBRL tagging has been done to a level and standard that is reasonable to expect in the circumstances ('best ability basis'), i.e. a reasonable attempt has been made to tag and there are no more than a few deficiencies in the tagging, then that will generally be sufficient; particularly during the soft landing period.

HMRC's 'Managing the transition' guidance (<http://www.hmrc.gov.uk/ct/mandatory-online-filing.pdf>) allows greater latitude than 'a few deficiencies in the tagging' so each case will be treated on its own having regard to all the circumstances. HMRC expect a reasonable attempt at tagging and also expect to see progressive improvement towards full compliance during the soft landing period.

The tagging required is set by the published 'minimum tagging lists' so that if an item in those lists appears in the accounts and/or tax computations then it must be tagged according to the relevant taxonomy. However, to ease the transition and to help companies and tax agents, HMRC have further relaxed their tagging requirements for a transitional period.

A small number of key items must be tagged in order for the CTR to pass through the Government Gateway. Note that full tagging may be adopted now but is not required. Full tagging of the accounts will be required from 2013; tax computations will continue to be tagged according to the minimum tagging list until HMRC say otherwise, but we can expect reasonable advance notice of any change here.

It is only in very extreme cases that a CTR which passed through the Government Gateway would be rejected later, as part of the post submission processing, because of poor or incomplete tagging. So if it is clear that tagging on a best ability basis has not been done, then HMRC may reject the CTR but they would discuss the position first.

So where does this leave the tax agent and the company?

HMRC are on record as saying that a CTR will not be rejected where a reasonable attempt has been made to comply with the iXBRL requirements. So for example they will accept the iXBRL accounts where these have been automatically tagged by accounts production software, such as the Sage accounts production range, but any additional manual tagging hasn't been completed.

HMRC will also accept iXBRL accounts that have been manually tagged as completely and accurately as is reasonably possible. Therefore the company and the tax agent should be able to rely on their software to do the tagging, particularly software that automatically tags items. There should be no real need to get the director or other authorised person to pore over a printed copy of the iXBRL tax computations and accounts and expect them to understand, let alone 'sign off', what is a very technical matter.

Unrepresented companies

Turning now to unrepresented companies, i.e. those that don't engage a tax agent (normally because they have their own in-house tax team): the situation isn't really any different. HMRC will treat a CTR filed by the company in the same way as one filed by a tax agent.

Feedback from some corporates suggests there is some 'distrust' of the software, which is due to a number of factors such as:

- novelty within the software and iXBRL generally
- lack of knowledge and understanding of iXBRL and of HMRC requirements and published material generally
- some suppliers/auditors having seemingly 'talked up' the dangers in order to sell outsourcing services.

Basically the corporates are looking for a way to check both what the software does and also the documents to be filed with HMRC. There is also a misconception that Companies House requires iXBRL accounts to be filed. This aspect of iXBRL is outside the scope of this article but, suffice to say, Companies House accept paper filing of accounts and until there is a change in the legislation will not mandate online filing or iXBRL.

Companies House does accept XBRL/iXBRL accounts for dormant companies, companies filing unaudited full (small company format) accounts, companies filing audited full accounts and companies filing abbreviated accounts. In time more types of accounts will be accepted.

Some of the functionality corporates have asked for includes:

- Searchable list of tags with explanations
- List of words used by the tagging wizard
- List of tags not used
- Addition of values to the list of tags produced by the software
- The ability to allow staff who did not use the software to review what was being sent to the HMRC, i.e. a print off of the computation showing relevant tags, and to open the CT600 xml file and be able to read it.

It seems the aim here is to replicate the process that occurred in the past. Sage's corporation tax software can be used by a reviewer and the obvious answer here would be to encourage the reviewer to use the software to carry out the review. Clearly it would only be possible to review the tax computations, CT600 and Supplementary Pages; if the accounts are to be checked and ticked too then the accounts production software or tagging software may assist. What they do if the tagging of the accounts has been outsourced is less clear.

We'll be considering these requests in the light of their relative merits and general customer demand.

It does seem however that there may be an element of trying to 'protect' oneself because of the misunderstood need to 'check and tick' all the tagging. This simply isn't required or necessary. As already mentioned earlier, HMRC will accept iXBRL accounts and tax computations so long as they have been tagged on a best ability basis.

To recap briefly, HMRC will not penalise missing or incorrect tagging in CTRs submitted and accepted. There is no statutory provision for such a penalty. A penalty may be appropriate where tagging errors have led to a loss of tax but that is very unlikely where the human-readable format of the iXBRL documents contains correct and accurate information.

Although HMRC hasn't publicly stated the point, they are likely to give the human-readable information precedence over tagged information where there is a mismatch or discrepancy. Tagging deficiencies will be treated as an education matter; HMRC want to help corporates and tax agents get things right in the future.

HMRC will not open enquiries solely or mainly to check the quality of XBRL tagging. And as you should be aware, the main purpose of XBRL tagging is to allow HMRC to direct its resources more efficiently. Incorrect or missing tags may trigger HMRC's risk-assessment rules which may mean there is a greater potential for post-submission contact from HMRC. A higher risk of this happening is likely where tagging is below the minimum tagging lists requirement. It is also notable that deficiencies in tagging in a company's CTR will not make that company's CTR for a later period more likely to be selected for an enquiry.

Finally, don't forget the reasonable excuse provisions may be relevant particularly in relation to a CTR that's filed 'late'. If you need to, complete the form and submit it as a PDF attachment when filing the CTR.

Recommended reading

- XBRL – when to tag, how to tag, what to tag
www.hmrc.gov.uk/ct/ct-online/file-return/online-xbrltag.pdf
- Company accounts HM Revenue & Customs require with a Company Tax Return
www.hmrc.gov.uk/ct/company-accounts.pdf
- Mandatory online filing of Company Tax Returns: managing the transition
www.hmrc.gov.uk/ct/mandatory-online-filing.pdf
- What counts as a reasonable excuse for filing an online return late?
www.hmrc.gov.uk/online/excuse-missed-deadline.htm
- Sage's iXBRL resources
www.XBRLwithsage.com

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