



For the attention of: The Manager
Policy Development Unit
Standard Business Reporting
Infrastructure Division
The Treasury
Langton Crescent
Parkes ACT 2600

XBRL UK Jurisdiction
17 Cosgrove Road
Old Stratford
Milton Keynes MK19 6AG

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Dear Sir,

Options paper: use of Standard Business Reporting for financial reports

The XBRL UK Jurisdiction has provided support to government XBRL initiatives in the United Kingdom for over ten years. Its members include government agencies, accounts preparers, software companies and other technical experts who, between them, have first hand experience of most of the significant XBRL implementations established around the world.

We are pleased to have this opportunity to provide feedback on the Australian government's paper on the use of Standard Business Reporting for financial reports and would be happy to provide further submissions should our comments lead to further questions.

Yours faithfully,

Philip Allen
Chairman
XBRL UK Jurisdiction

Comments of the XBRL UK Jurisdiction

We should like to make an initial comment which is not, strictly speaking, on the list of matters for which the Treasury asked for response. However, it throws a light on some of the comments which follow.

Underlying all successful XBRL projects is a single "view of the world" - a taxonomy, or set of taxonomies, which are designed with common standards as to usage, versioning, maintenance and access. Taxonomies are living standards - they are the means whereby a measure of central control is provided over the complete system of data exchange, and they require regular updating and further development.

We have assumed that Australia will continue to assert a hierarchy of taxonomies with the SBR taxonomy at the centre and the adoption of elements of reporting taxonomies such as the IFRS taxonomy, GRI and CDP taxonomies as appropriate over time. Control and management of these taxonomies is critical to maintaining the quality and usefulness of the data collected under XBRL programmes.

1. Mandation of iXBRL filing

Mandatory XBRL/iXBRL filing is in place for the US (SEC EDGAR), the UK (HMRC company tax) and Japan (FSA EDINET). These mandates are driven by transparency and data accessibility considerations which apply, also, to Australia. Australia should expect to follow suit with mandation in order to maintain international competitiveness.

The UK programme is based on iXBRL, and the Japanese programme has mandated iXBRL from the end of 2013. Although it has made no official commitment, the SEC has made it known informally that it expects to move to iXBRL in due course. The reasons which have encouraged the move to iXBRL (unification of rendering and processing in a single document) apply equally to Australia.

We would have no hesitation in recommending mandatory iXBRL filing.

2. Limitations of voluntary filing

World-wide, the only large-scale example of a successful voluntary programme is the company accounts filing facility at Companies House in the UK, where accounts prepared in iXBRL for the HMRC mandatory filing programme can be voluntarily filed at Companies House to meet company annual accounts filing obligations.

Companies House has undertaken a programme of encouraging the vendors of accounts preparation packages to add a "file with Companies House" button to their packages to simplify the filing process. Currently, all but one of the available accounts preparation packages have been enabled for use at Companies House, and the expectation for the current year is that over one million filings will be made in iXBRL. It should be stressed that Companies House would not have expected to achieve such a successful voluntary takeup without the parallel HMRC mandate.

Companies House report that, while smaller companies are happy to file using newly enabled software, large companies and their advisers are taking longer to come round to the benefits of iXBRL filing.

In the US the takeup of the SEC Voluntary Filing Program (prior to mandation) was very limited, in this case to very large companies with a strategic interest in XBRL. Outside this circle (about 50 in 2008) companies remained unwilling to file until EDGAR switched to mandation.

In summary, there is no evidence that voluntary lodgement of XBRL/iXBRL would lead to strong uptake in Australia, and it is accordingly highly unlikely that it would produce either savings or benefits to Australia.

3. Further consideration of options 2 and 3

Experience in both the US and the UK suggests that large companies will, as a whole, resist voluntary lodgement of either iXBRL (option 2) or XBRL (option 3).

One possible approach is the provision of incentives either to companies or to software vendors. Incentives were considered in the UK Carter Review and were ruled out as being too expensive. This leaves a purely voluntary approach. In the best possible case, takeup under a voluntary programme is likely to result in a period of 5-10 years before most companies have moved to the new technology. In the meantime, SBR would have to fund dual filing infrastructure and the ability, within government, to analyse data would be severely restricted, and this would prevent Australia from reaping the benefits of its investment in the SBR programme.

Experience in the UK has been that the collection of mandatory iXBRL data has the potential to transform data use and analysis within government. In the Australian context an early move to mandation would secure such benefits within a much shorter timeframe.

4. Transitional arrangements - phased implementations

Phased implementation (restricting mandation to an initially small group of companies) was used by the SEC for very specific reasons. It was appropriate for the SEC because the cost of implementing a filing system based around taxonomy extensions was considerable and tooling was in its infancy. As one of the first XBRL programmes to get off the ground, there was a sensible desire to allow services and software support for this market time to develop.

HMRC did not stagger the mandation, preferring instead to set a "drop dead date" after which all filings were to be made in iXBRL. Their approach to the initial filing period, instead, was based on the idea of a "soft landing period" during which HMRC would accept a lower level of tagging quality so long as a genuine attempt had been made to tag the documents correctly. This was based on the experience that putting in place a filing process, and having it adopted by companies, was a greater priority than accuracy of tagging. As planned, HMRC is now moving beyond the "soft landing period" and starting to focus on accuracy of tagging.

Company filings to the SEC and to HMRC have both followed the pattern that large companies tend to use customised systems or services firms to prepare the filings; small companies tend to use commercial off-the-peg software ("COTS") or cheap commercial tagging services. We would expect the Australian experience to be similar. In terms of "readiness to file", it is arguable that smaller companies could switch to XBRL/iXBRL filing more quickly and with less cost than larger companies. In either case, there is little practical benefit to be had from separate phasing of the mandation of these two sectors.

5. Transitional arrangements - minimum tagging set

HMRC's Minimum Tagging Set ("MTS") was devised to reduce the cost of preparing filings during the initial mandation period, when HMRC had every expectation that it would still be continuing to focus on a small number of key facts in every return rather than analyse all the submitted data in depth.

Anecdotal evidence from software vendors and services firms suggests that while many filings meet the MTS requirements, many others are fully tagged and have been from the outset. In fact, some of the major preparers are understood to tag customers' accounts in full but reduce the tagging to the required MTS minimum prior to submission to HMRC.

The MTS was introduced at a time when vendor filing support was under development and the extent of future compliance was still unclear. It is now apparent that full tagging is supported by most software on the UK market and, with the benefit of hindsight, it appears that the MTS may have made little difference to levels of compliance in the UK.

HMRC, as noted in the Options Paper, will not remove the MTS provisions in March 2013, and has not set a date to do so. However, it is not unlikely that HMRC will insist on full tagging once the UK accounts taxonomies are fully able to support it.

We would suggest that, for Australia, it would be better to focus on the coverage of the IFRS-AU taxonomy than to introduce any kind of minimum requirement analogous to the UK MTS.

6. XBRL vs iXBRL

As has been noted in the Options Paper, iXBRL offers benefits beyond those provided by XBRL. It allows agencies and other consumers of iXBRL to simplify their workflows, because both the data and the rendering are passed through the consumption process in the same document.

The most important benefit of iXBRL is the ability to support "blind extensions" - the furnishing of data which is rendered but not tagged. This brings with it the ability to cut the complexity and cost of implementation.

For software vendors implementing iXBRL, the requirement to embody rendering in XHTML (rather than PDF) is a new departure. However, XHTML is an extremely accessible format and not one that has presented technical problems. Both HMRC[1] and Companies House[2] have a large list of compliant vendors who support iXBRL.

[1] http://www.hmrc.gov.uk/efiling/ctsoft_dev.htm

[2] <http://www.companieshouse.gov.uk/toolsToHelp/accountsSoftware.shtml>

7. Costs

Costs can vary greatly between XBRL and iXBRL filing programmes.

The SEC filing programme accepts XBRL and, as a consequence, all data has to be tagged. In effect, this mandates the use of company-specific extension taxonomies. These extension taxonomies tend to be expensive to create and, largely as a consequence, annual filing costs range between USD 10,000 and USD 80,000.

By contrast, HMRC's filing programme in the UK accepts iXBRL with the proviso that data can be included on the face of the rendering but not necessarily tagged internally. This means that data which doesn't fit into the standard national taxonomy does not need to be tagged. As a result, although extension taxonomies are accepted by HMRC, we understand that not a single extension taxonomy has been submitted

since the beginning of mandation in April 2011. Filing costs in the UK are consequently much lower than in the US, falling in the range of GBP 50 to GBP 1,000 per annum.

An optimum solution for Australia would combine iXBRL with a continuing programme of enhancements to IFRS-AU to reduce the number of areas not well covered by the taxonomy.