

<b>Institution: University of Birmingham</b>
<b>Unit of Assessment: C19 - Business and Management Studies</b>
<b>Title of case study: Modernising corporate tax filing and financial reporting to HM Revenue and Customs and Companies House</b>
<p><b>1. Summary of the impact</b></p> <p>The rapid growth of the internet from the 1990s provided both opportunities and challenges for corporate reporting. The research findings of Birmingham Business School have been highly influential in assisting regulatory bodies, public policy makers and individual businesses address these. In the UK, <b>Birmingham's research and expertise has directly contributed to the introduction of mandatory online filing of annual returns by companies to HMRC and Companies House.</b> The successful introduction of this measure by HMRC <b>increased the proportion of Corporation Tax returns filed online from 42% in 2010/2011 to 96% in 2011/12,</b> bringing significant efficiencies. Birmingham researchers also have <b>contributed to international standards setting for company reporting through their participation in the XBRL Advisory Council,</b> where they have successfully promoted greater transparency in reporting to the benefit of retail investors.</p>
<p><b>2. Underpinning research</b></p> <p>Research on the role of the internet in corporate reporting at the University of Birmingham started in the 1990s with Professor Andrew Lymer's research (initially as a Senior Lecturer, then Professor of Accounting and Taxation since 2010), which was pivotal internationally in drawing attention to how this technology could improve the financial communication of corporate bodies in the UK, and beyond.</p> <p>The key output from this period was a report published in 1999 commissioned by the-then International Accounting Standards Committee (now International Accounting Standards Board) (see output R1 below). The research found that there was a disconnect between the national standards being developed by individual professional bodies and the global nature of the financial industry, and put forward a road map setting out the steps necessary to achieve international coherence for online business reporting and to provide greater value for stakeholders from online communications channels. This work stimulated the second wave of online reporting development and has directly led to initiatives in XBRL (eXtended Business Reporting Language) over the last decade.</p> <p>Subsequently, research undertaken at Birmingham by Dr Joanne Locke (Senior Lecturer, 2007-2012) with Lymer focused on XML (eXtended Mark-up Language) based technologies, specifically XBRL that became the core language for online reporting activity by the late 2000s. Research in 2007/8 funded by the Institute of Chartered Accountants in England and Wales (ICAEW) (included an experimental study of the use of digitally tagged annual reports and made 12 recommendations regarding the development, regulatory framework and education required to support the effective implementation of the technology. In addition to the ICAEW report, a peer-reviewed paper was published in 2012. The research found that despite the use of the term "interactive data", retail investors had not been engaged in dialogue about the expanded use of XBRL for company filing in the USA, and the potential to use the technology to enable greater accountability had been forfeited in the interests of encouraging participation from the company filers. The opportunities for the greater democratisation of data through the internet had not been taken in this instance (R2 and R3).</p> <p>Related work on international business digital standards has also been published Dr Locke with a co-researcher in France (Veronique Gilloux) and Alan Lowe (Aston University) (R4). The focus of this work is the competition between official data standards for business regulation. It found that regulator adoption is important to diffuse business standards to users and achieve 'lock in' for an incumbent. The impact of the credit crisis on regulators has created an opportunity to challenge</p>

the existing reporting framework. Work in this area led to an invitation to present at a meeting of XBRL France in December 2008 in aiding their understanding of related standards in this field as they set policy for the use of XBRL in France.

### 3. References to the research (indicative maximum of six references)

- R1)** Lymer, A., Debreceny, R., Gray, G., Rahman, A. (1999) *Business Reporting on the Internet*, Report commissioned by the International Accounting Standards Committee [available: <http://www.cs.trinity.edu/rjensen/Calgary/CD/iasb/busrepw.pdf>]
- R2)** J. Locke, A. Lymer, A. Lowe (2010), *Digital Reporting options for Europe : A study from the perspective of non-professional investors*, report commissioned by the ICAEW [available: [www.icaew.com/en/products/information-technology-publications/digital-reporting-options-for-europe](http://www.icaew.com/en/products/information-technology-publications/digital-reporting-options-for-europe)]. ISBN – 978-1-84152-623-2.
- R3)** J. Locke, A. Lymer, A. Lowe (2012), The SEC's retail investor 2.0: Interactive data and the rise of calculative accountability, *Critical Perspectives on Accounting*, Volume 23, Issue 3, April 2012, Pages 183–200 [doi: [10.1016/j.cpa.2011.12.004](https://doi.org/10.1016/j.cpa.2011.12.004)] [output listed in REF 2]
- R4)** Locke, J., Lowe, A., Gilloux, V. (2013) 'Digital business reporting standards: Mapping the battle in France', *European Journal of Information Systems*, vol. 22, pp. 257 – 277 [doi: [10.1057/ejis.2012.5](https://doi.org/10.1057/ejis.2012.5)]
- R5)** Rowbottom, N. and Lymer, A. (2009) 'Exploring the use of online corporate sustainability information', *Accounting Forum*, vol. 33, no. 2, June, pp. 176-186 [doi: [10.1016/j.accfor.2009.01.003](https://doi.org/10.1016/j.accfor.2009.01.003)] [output listed in REF 2]

### 4. Details of the impact

The rapid growth of the internet from the 1990s provided both opportunities and challenges for corporate reporting. The research findings and expertise of the Birmingham Business School have been highly influential in assisting regulatory bodies, public policy makers and individual businesses to address these. The most important examples of this since 2008 have been through enabling these organisations to capitalise on the use of XBRL as an international standard allowing the direct electronic analysis and exploitation of data provided to meet regulatory requirements.

#### Supporting HMRC and Companies House in the introduction of mandatory online filing of corporate tax computations and accounts

Senior staff at both HMRC (see source 1 below) and at Companies House (source 2) have acknowledged the contribution of researchers from the Birmingham Business School in the successful delivery of programmes to use XBRL as the standard for mandatory on-line filing of company statutory accounts and tax computations introduced in the UK in April 2011.

The 2006 Carter Review, which had originally recommended the target to introduce online filing, acknowledged the pivotal role of making use of XBRL in this project (rather than filing by PDF) and said that “.. HMRC should not require online submission of company tax returns until XBRL has been implemented and bedded down” (*Review of HMRC Online Services*, HMRC, 2006, para 7.3). Solving issues in the application of XBRL was, therefore, crucial to achievement of this national target.

The reporting requirements introduced in 2011 apply to almost all UK corporations and have enabled HMRC to increase the proportion of Corporation Tax returns filed online from 42% in 2010/2011 to 96% in 2011/12 (*HM Revenue Annual Report and Accounts 2011-12*, p.13). Overall, this measure is designed to bring efficiencies at HMRC through reducing manual processing of data and allowing staff to focus on more complex activities which contribute to raising tax revenues. HMRC have been able to confirm to the University that by July 2013 there had been more than 4m online corporate tax filings. The introduction of this using XBRL had enabled HMRC to modernise their risk assessment process for “mass market” corporate tax returns, moving from the “eyeballing” of individual paper returns by staff to much more sophisticated computer-based analyses which is helping them better identify issues requiring further investigation (source 3).

The success of this approach was reflected in the decision to extend the use of XBRL to the risk assessment of very large companies, and this formed one of the four actions to reduce tax

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avoidance and evasion introduced by the Chancellor in his Autumn Statement 2012 at a total additional cost of £77m (source 4).

Jon Rowden, XBRL assurance leader at “big-four” accountants PWC, recently wrote that this implementation by HMRC *“has surely achieved the benchmark for regulatory initiatives: useful information is now available for a clear purpose, namely the better inspection of taxes”* (source 5).

Companies House now also makes extensive use of XBRL for registering accounts; although its use is not mandatory, more than 60% of returns are now filed this way (source 6).

The role of Professor Lymer and his colleagues in this process was to draw on their research and expertise in the application of XBRL to shape the thinking of the programme managers at HMRC and Companies House leading delivery of these initiatives. This was particularly important in ensuring that HMRC’s proposals for using XBRL were appropriate and usable by corporations and accountants. The HMRC manager said the Birmingham staff provided an authoritative perspective on XBRL and accountancy issues, particularly the mechanics of accounts preparation (source 1).

There were a number of means through which this support was provided; HMRC staff participated in XBRL conferences held in Birmingham in November 2009; workshops were delivered by Birmingham staff on current developments in XBRL for accountants and tax software specialists in liaison with the Institute of Chartered Accountants in England and Wales (ICAEW) in January 2011. Lymer has also contributed to this development by working with these organisations since 2001 on the UK Steering Group for XBRL, where he is the only academic member. His particular contribution to this group has been ensuring a formal bridge exists between academic research and practitioner developments to facilitate links in both directions.

In addition, a report was produced for the ACCA by Professor Lymer in 2009 with colleagues from Dundee University which called for a change in the way XBRL technologies were rolled out in the UK at a time when mandated use of this technology for tax filings and corporate governance filings was being planned in the UK (source 7). The findings were used by the teams undertaking work on the tax filing standards to support the argument that awareness of XBRL was low at that stage and that they needed to be pro-active in selling the benefits of it to companies (source 1).

**Setting international standards for XBRL**

Digital reporting data’s greatest potential contribution is to achieve global communication of business information to facilitate decision making.

The Birmingham researchers’ focus in the XBRL international standards setting area has been on the need for openness and effective inclusion of the needs of the retail investor in the design of digital reporting. Their 2010 report for the Institute of Chartered Accountants in England and Wales [R2 above] had shown the absence of the retail investor in regulator-led XBRL adoptions. The launch of this report in January 2011 was hosted by the ICAEW in London and attracted leaders in the field across Europe, including representatives of the European Commission, KPMG, Ernst & Young, Deloitte, PWC, the UK Accounting Standards Board, HMRC, Banco de España, IFRS Foundation, SBR programme in the Netherlands, software vendors, and IT consultants.

Locke primarily influenced the international approach on these issues through the XBRL Advisory Council (XAC) of the International Financial Reporting Standards (IFRS) Foundation. Locke was an inaugural member of the XAC and subsequently re-appointed for a further term. The role of the XAC is to provide strategic advice to the IFRS XBRL Team regarding the development and adoption of IFRS XBRL taxonomies. This board has members drawn from all key regulator and stakeholder groups internationally.

Locke’s work with the XAC focused on the design of the IFRS XBRL taxonomy and policy issues such as due process and governance. She successfully promoted the themes of openness and the interests of the consumers of the data in her work there, and was one of the first members of the Council to argue for a change in focus that was subsequently adopted. Locke was also an

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invited speaker at the XBRL conference in Madrid on open source standards in May 2012. Membership of the Council also provided Locke with the opportunity to take the ICAEW report directly to this key audience.

The direction for regulation of digital reporting recommended in the ICAEW report has now also emerged in EU policy. In June 2013, the EU agreed revisions to its 2004 Transparency Directive. Included within these was a new requirement that all company annual financial reports from January 2020 be in a single electronic reporting format in order to improve accessibility, analysis and comparability of reports. The European Securities and Markets Authority will be developing draft regulatory standards for adoption by the Commission and has been tasked with specifying the electronic reporting format for this “with due reference to current and future technological options, such as eXtensible Business Reporting Language (XBRL)” (source 8).

**5. Sources to corroborate the impact** (indicative maximum of 10 references)

1. Corroboration can be obtained from [REDACTED], HMRC (formerly HMRC Carter Programme)
2. Corroboration can be obtained from [REDACTED], Head of E-Accounts Transition, Companies House
3. Corroboration can be obtained from [REDACTED], Head of Corporate Tax Process Team, HMRC
4. "XBRL in the UK", iBR [magazine], vol 03, issue 01, March 2013, p.12
5. Cm 8480, Autumn Statement 2012, page 54 and page 72
6. "Why iXBRL works for the UK", iBR [magazine], vol 03, issue 01, March 2013, p.16.
7. Helliar, C., Dunne, T., Lymer, A., Mousa, R. (2009), *XBRL: The Views of Stakeholder*, report commissioned by the ACCA.
8. [http://europa.eu/rapid/press-release\\_MEMO-13-544\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-544_en.htm)