Multi-agency Filing Taxonomy

Tax track XBRL International Conference

ADVISORY / FINANCIAL SERVICES
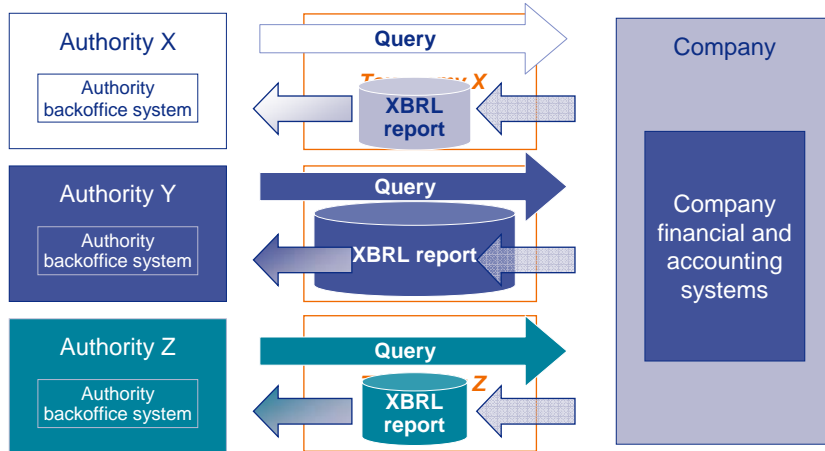
Marc van Hilvoorde
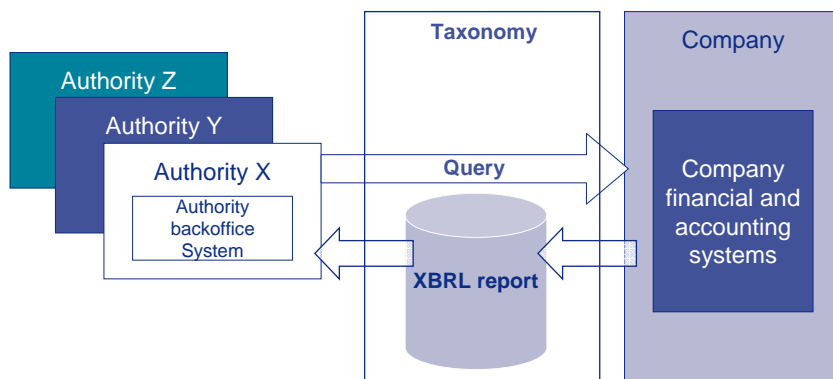Madrid, May 17 , 2006

AUDIT ▪ TAX ▪ ADVISORY

Purpose of this presentation

- Why built a multi agency taxonomy?
- What is the approach in the Netherlands to accomplish a multi agency taxonomy?
- What are building issues and lessons learned?

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Standardization of the syntax: who gets the benefits?

Authority X		Query	Company
Authority backoffice system	*Taxonomy X* XBRL report		Company financial and accounting systems
Authority Y	Query		
Authority backoffice system	XBRL report		
Authority Z	Query		
Authority backoffice system	*Taxonomy Z* XBRL report		

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Standardization of the semantics: who gets the benefits?

Authority Z

Authority Y

Authority X

	Taxonomy	Company
Authority backoffice System	Query XBRL report	Company financial and accounting systems

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Complexity is in many different decision topics

Teach domain people about XBRL… or XBRL people about domain?

When in the project do we start actually using XBRL?

How do we transfer information from the domain teams to the XBRL team?

What is the required functionality of the tools for supporting the process?

Are the tools available with the required functionality?

What is the status and quality of the tools (interoperability)

How do we make our taxonomy eXtensible, robust and future proof?

Make or create decision on the IFRS and GCD taxonomies?

How to deal with XBRL context?

How do harmonize the domain specific taxonomies into one taxonomy?

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Dutch taxonomy project

Multi domain with multiple expertise involved

- GAAP
  - IFRS
  - Dutch GAAP
- Tax
  - profits tax
  - wage taxes
  - value added taxes (VAT)
  - income taxes
- Statistics
- XBRL
  - XBRL datamodelling skills
  - Taxonomy building skills (tool)
  - Taxonomy development skills (architecture)

Transforming government
- *Cooperation between several ministries and governmental agencies (Ministry of Finance (taxes) and Ministry of Justice (legislation annual accounts)*
- *Political defined goals: lowering the reporting burden for companies*
- *From viewpoint of businesses*
- *Cooperation with the market*
- *Use of open standards*
- *Transparency*
- *Innovation*
- *Big and complex project (> 30 project members, mainly domain orientation)*
- *Multiple type of users of the taxonomy (small companies, big companies, tax people, accounting people, software vendors,..)*
- *More information chains will be added*
- *Limited tools with the right functionality available*

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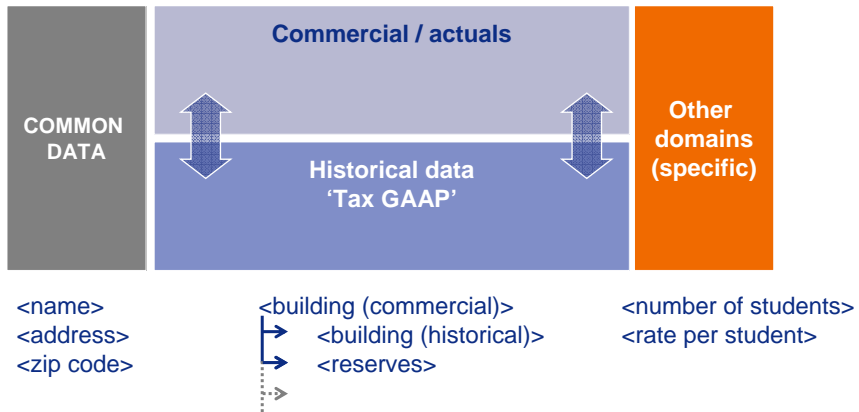## Taxonomy building principles – Business orientation

Building principles that form the basis for developing the taxonomy and the taxonomy architecture:

- There will be **no derived XBRL** standard. The goals is stay as close as possible to the international XBRL standard and 'best practices' as possible.
- As a natural result of the multi domain approach, the taxonomy will be complex. But the use of the taxonomy should be **easy to use**, especially for smaller companies
- The taxonomy architecture must be **future proof**, flexible and extensible: more and different kind of reporting domains should be added
- The goal is to help companies in lowering the reporting burden by creating as much **reusable** information as possible. The taxonomy architecture needs to support the harmonizing process which means not only reusable elements, but also reusable datatypes and linkroles
- Changes in the taxonomy are caused changes in legislation and by improvements or corrections in the taxonomy. Changes should be communicated on **wanting to know** basis
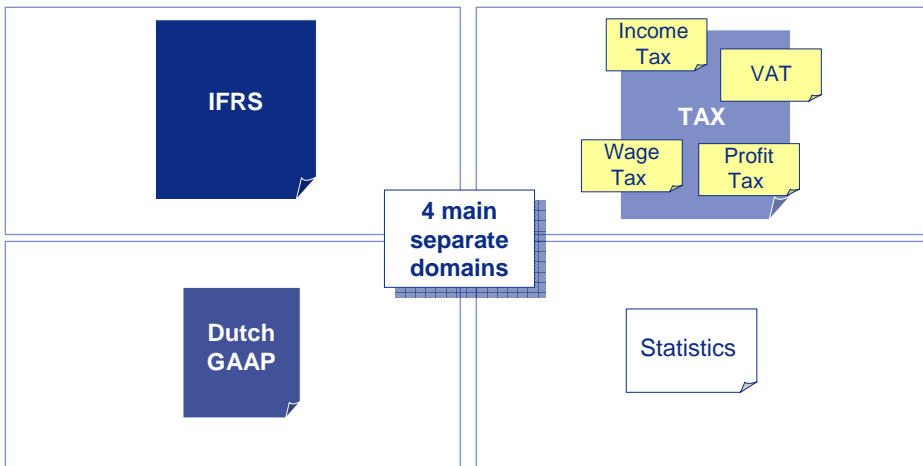
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Implementation of the principles

- XBRL standard: Specification 2.1 without specification extensions, FRTA, FRTA-NL, standardized context
- A strategic vision on the future Dutch taxonomy is the basis for building
- Use what is already there (IFRS, GCD International taxonomy)
- Creation of a modular taxonomy structure. In the architecture different kind of taxonomies are used
  – taxonomies that contain elements
  – taxonomies that contain datatypes
  – taxonomies that contain relationships between elements (linkroles)
- A (horizontal) layered taxonomy structure was developed, mainly for maintenance. A (vertical) chain structure for a target group specific approach
- We build the taxonomy with use of a (spreadsheet) template, but….
  – People need education on the use of the template
  – Tools have limited capability of importing completed templates (manual labour still needed)
- Multivendor approach for level playing field and achieving interoperability

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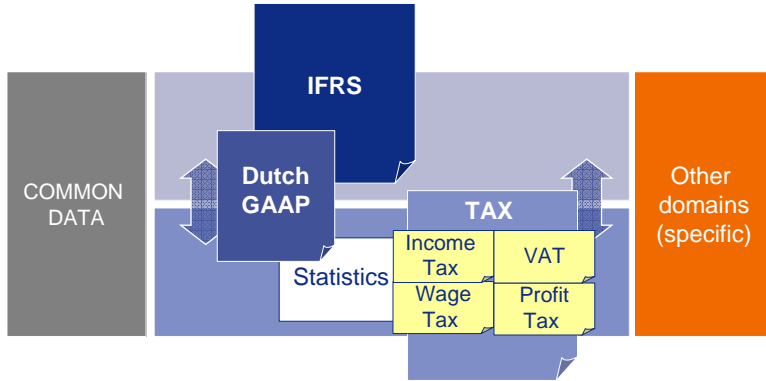**Strategic vision – Harmonised taxonomy evolution**

COMMON DATA

Commercial / actuals

Historical data 'Tax GAAP'

Other domains (specific)

<name>
<address>
<zip code>

<building (commercial)>
  <building (historical)>
  <reserves>

<number of students>
<rate per student>

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Taxonomy development – first step

IFRS

Income Tax

VAT

TAX

Wage Tax

Profit Tax

4 main separate domains

Dutch GAAP

Statistics

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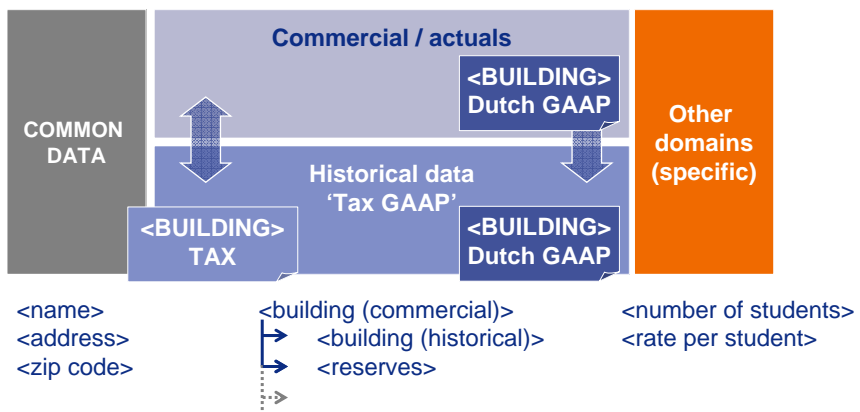060504 MvH
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K4   Yes! Dit zoek ik
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Taxonomy development – harmonizing

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Taxonomy development – harmonizing example

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Taxonomy architecture – the Dutch tree

eg Tax, Dutch GAAP

domain specific

< elements >

Generic Elements Netherlands
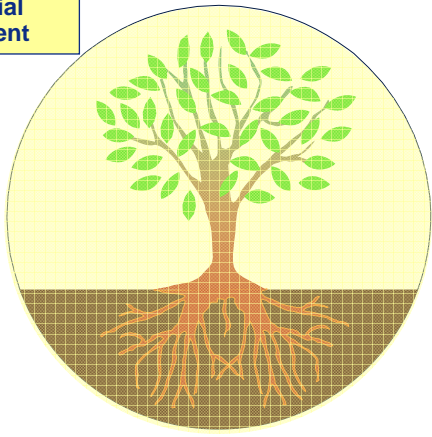
cross domain

Taxonomy

specification 2.1

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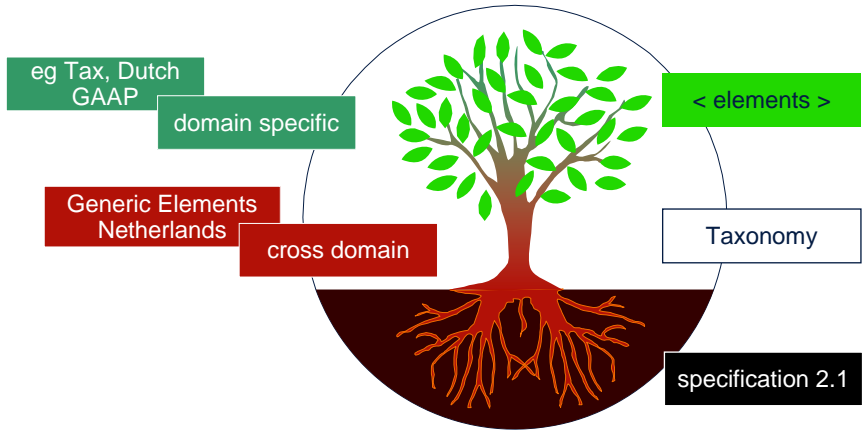
Taxonomy architecture - reports for business orientation
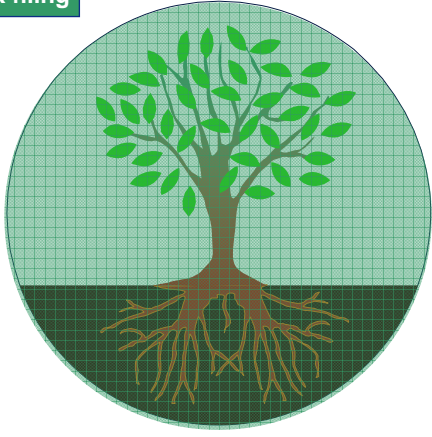
Small business Financial Statement

14
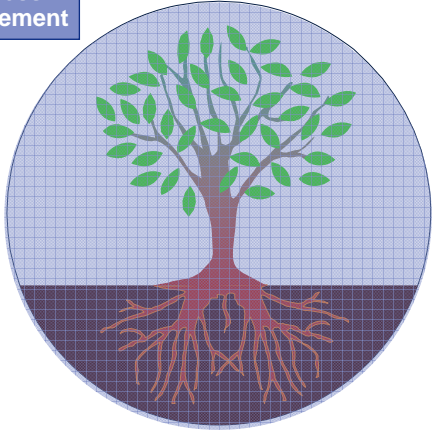
Taxonomy architecture - reports for business orientation
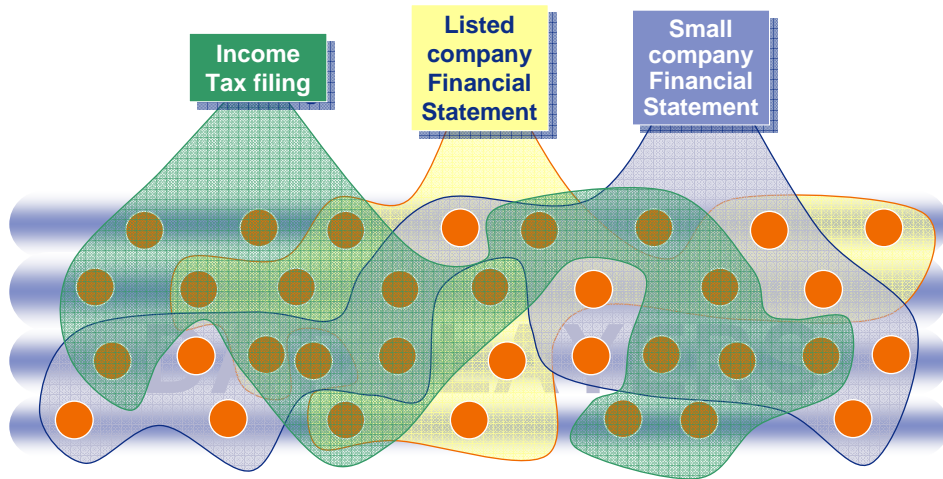
Listed company Financial Statement

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Taxonomy architecture - reports for business orientation

Income Tax filing

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Taxonomy architecture - reports for business orientation

Income Tax filing

Listed company Financial Statement

Small company Financial Statement

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Building issues and lessons learned

- The quality of existing datamodels have high impact on the project planning
- Harmonizing the taxonomy takes a lot of time and needs several generations of a taxonomy: Identify the common elements ("elements used by more then one domain")
  → harmonizing
  – within domains
  – between domains (different visions on defining concepts)
- 'Make or buy' decision with regard to existing taxonomies like IFRS and Global Common Data (GCD)
- User orientation → how to use a complex taxonomy?
- Completeness of the taxonomy: 'Best practice' vs. minimal requirements approach ("Do we accept taxonomy extensions?")
- Taxonomy quality assurance and quality measurement
- Tools, tools, tools (building, review, maintenance,…)

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Thank you

Background
- Dutch governmental project: Building a financial reporting, tax, statistical taxonomy and supporting infrastructure
- Project website: www.xbrl-ntp.nl (English background available)

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