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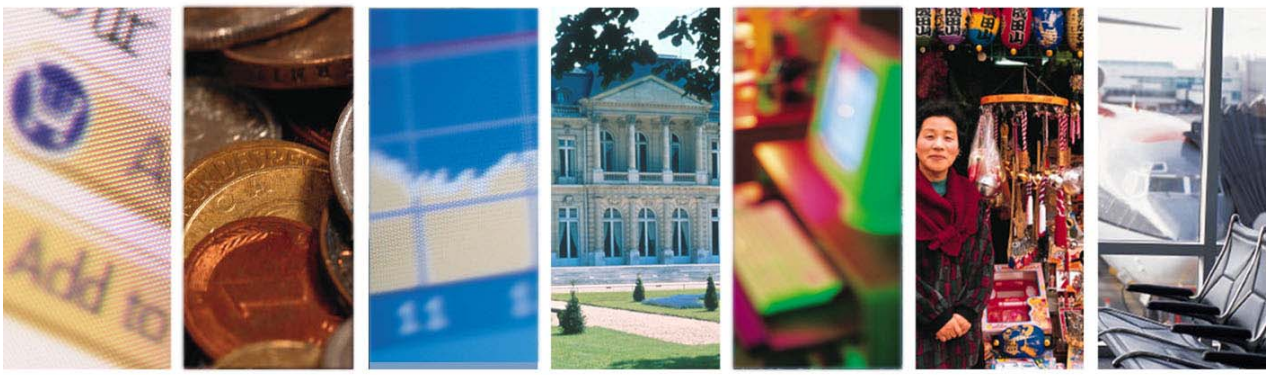

FORUM ON TAX ADMINISTRATION: TAXPAYER SERVICES SUB-GROUP

Guidance note

Standard Business Reporting

July 2009

CTPA

CENTRE FOR TAX POLICY AND ADMINISTRATION

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ABOUT THIS DOCUMENT

Purpose

This guidance note seeks to provide sufficient information about Standard Business Reporting (SBR) to enable revenue bodies to consider its relevance to their Government and play a major role in cross-Government deliberations and implementation, if deemed appropriate. It has been prepared following research by officials of the UK's Her Majesty's Revenue and Customs (HMRC) and with the assistance of revenue bodies participating in the Forum on Tax Administration's (FTA) Taxpayer Services Sub-group.

Background to the Forum on Tax Administration

Since its establishment in July 2002, the FTA, a subsidiary body of the OECD's Committee on Fiscal Affairs (CFA), has operated with the broadly stated mandate....

> *to develop effective responses to current administrative issues in a collaborative way, and engage in exploratory dialogue on the strategic issues that may emerge in the medium to long term……..*

To carry out this mandate, the FTA's work is directly supported by two specialist Sub-groups—Compliance and Taxpayer Services—that each carry out a program of work agreed by member countries.

The Taxpayer Services Sub-group exists to provide a forum for members to share experiences and knowledge of approaches to taxpayer service delivery, in particular through the use of modern technology. To achieve this objective, the Subgroup's mandate calls for it to:

1) periodically monitor and report on trends in taxpayer service delivery, with a particular focus on the development of electronic/online services;
2) examine ways to promote the uptake and use of electronic services by revenue bodies;
3) examine options for cross-border administrative simplification and consistency; and
4) assist, as appropriate, other groups of the CFA.

Caveat

National revenue bodies face a varied environment within which to administer their taxation system. Jurisdictions differ in respect of their policy and legislative environment and their administrative practices and culture. As such, a standard approach to tax administration may be neither practical nor desirable in a particular instance.

The documents forming the OECD tax guidance series need to be interpreted with this in mind. Care should always be taken when considering a country's practices to fully appreciate the complex factors that have shaped a particular approach.

Inquiries and further information

Inquiries concerning any matters raised in this information note should be directed to Richard Highfield (CTPA Tax Administration and Consumption Taxes Division) at e-mail (Richard.highfield@oecd.org).

Summary

This note seeks to provide sufficient information about Standard Business Reporting (SBR) to enable revenue bodies to:

- consider its relevance to their Government; and
- play a major role in cross-Government deliberations and implementation if appropriate.

It is not a comprehensive guide, nor does it seek to make a business case for its adoption in all member countries. Rather, it focuses on the basic concepts and some of the issues which may be less familiar or not well understood so that it can be used as a "getting started" resource by officials of revenue bodies. It also provides insights from four countries implementing SBR.

Key points

- Reporting of financial data to Government by business is a significant cost burden on business in all countries. A number of studies have estimated the cost to be in the region of 2.5% of GDP. Reducing that cost is a major driver in many countries.

- A very significant element of that cost is the many data formats and descriptions used by different Government agencies (and possibly even within the revenue body) for reporting financial information to Government, and the resulting duplication and additional burden on business that occur as a result.

- SBR standardises and rationalises those data formats and descriptions to make reporting of financial information easier and cheaper for business. The expected savings to business in Australia are $A795m per annum and, in the Netherlands, €350 million per annum.

- SBR has been made possible by advances in technology but it must be a policy driven initiative enabled by technology not a technology-driven initiative.

- SBR requires the creation of a "national taxonomy".

- It is critical that the private sector supply chain for financial reporting is involved in SBR.

With the focus in many countries on reducing the administrative burden of business in complying with Government regulations, the ideas underpinning the concept of SBR may be highly relevant and, potentially, could deliver substantial benefits to both businesses and Government. As major users of businesses' reporting to Government, revenue bodies have a key role to play in promoting consideration of this issue.

I. Introduction to Standard Business Reporting

Scope & Purpose

1. Over recent years the FTA's Taxpayer Services Sub-group has maintained a close interest in emerging ways of reducing the burden of financial reporting by businesses to Government. Sub-group members sponsored the creation of an OASIS[1] technical committee partly to help drive development of a particular technology which offered great potential to enable a significant reduction in that burden. As the technology has matured so has an understanding of how it can be married to business drivers and policy agendas to produce a real benefit to business and Government. The term "Standard Business Reporting" (SBR) has been adopted to describe this generic approach. At the Sub-group's meeting in September 2007, it was agreed that it would be useful to produce a "practitioner's guide" on SBR for revenue body officials. This paper satisfies that request.

2. This note is designed to help revenue bodies understand more about how SBR might be able to reduce the costs to business of Government financial reporting requirements, what other opportunities it opens up and what they can do to help their Government properly consider its relevance and potential. It does so by—

   - looking at the nature of financial reporting by business to Government and how this has given rise to significant burdens and costs for business;
   - explaining what SBR is and how it addresses the problem of burdens and costs;
   - exploring the role that a revenue body can play in an assessment of SBR; and
   - referring to work in Australia, Belgium, New Zealand, Netherlands and the UK together with updates from the first four of those at Annex 1.

3. It is important to understand that SBR should not be purely a revenue body project. It should be motivated by a Government-wide policy to reduce cost and administrative burdens for business. If that motivation is not present, then SBR is unlikely to be relevant because it will be a solution to an unrecognised problem. On the other hand, if there is a policy to reduce the financial reporting burden on business, then the revenue body has a key role to play because it will often be the biggest single recipient of financial reports by some margin. But the true benefits can only be realised by a cross-Government initiative covering at least some, if not all, other Government Departments. In most countries, there are Government Statistics Departments and other regulatory bodies who will often be the most natural partners.

4. This note explains the basic issues involved; it is not a comprehensive guide to the detail of SBR, the costs involved with its implementation (which may vary considerably depending on the approach taken), or the related technologies or the implementation projects in progress in various countries. But the bibliography does contain links to a wealth of available information and Annex contains updates from four countries.

5. It should be borne in mind that this paper explores SBR because that is its subject matter. That does not imply that it is the only way to reduce the cost of financial reporting to Government nor does it pre-suppose that it will necessarily be the best approach in any particular country. But the level of confidence about its value is now such that countries would do well to consider what beneficial impact it may have in their specific circumstances.

[1] Organisation for the Advancement of Structured Information Standards – OASIS website describes itself as "not for profit consortium that drives the development, convergence and adoption of open standards for the global information society".

6. Finally, it should be acknowledged that this note was largely written before the full extent of the global economic downturn was apparent. That downturn has clearly affected the priorities of Governments and may have implications for their readiness to consider a project such as SBR in the short term. However, SBR offers the prospect not only of reducing businesses' costs but of enabling better and earlier analysis of financial data, including regulatory data, by Government. That being so, it may well make sense for revenue bodies to take steps fairly soon, if they have not already done so, to understand and consider the implications of SBR for their Government.

II. What is the problem? - Financial reporting by business to Government

7. Probably every Government in the world requires businesses to report financial information for many different purposes such as tax, statistics, industry regulation and so on. The amount of reporting may vary but, in general, it is significant and has grown over recent years particularly as a result of more stringent industry regulatory requirements.

8. Historically, these reporting requirements have grown piecemeal often driven by diverse legislation and different agencies within Government with little or no co-ordination of what information should be reported and how it should be reported. As a result, business often ends up reporting the same information multiple times to Government in different formats. That burden is usually exacerbated in countries which have Federal or other multi-level Government structures. Another development which businesses have to manage is the increasing requirement to keep information even if it is not specifically required to be reported to Government at the time (as with the Sarbanes-Oxley Act of 2002).

9. Measuring the actual cost of financial reporting to Government in different countries is extremely difficult and direct comparisons will not be appropriate unless costs have been calculated on similar assumptions. But there are some indications of the scale of such costs. In essence, businesses or their agents have to be able to extract data from their accounting, payroll etc. software systems and map it not to one format but to the multiple formats used for different reports to Government. It is this extraction and mapping exercise which introduces avoidable costs and limitations to Government in terms of how well it can use that data, and its timeliness and accuracy.

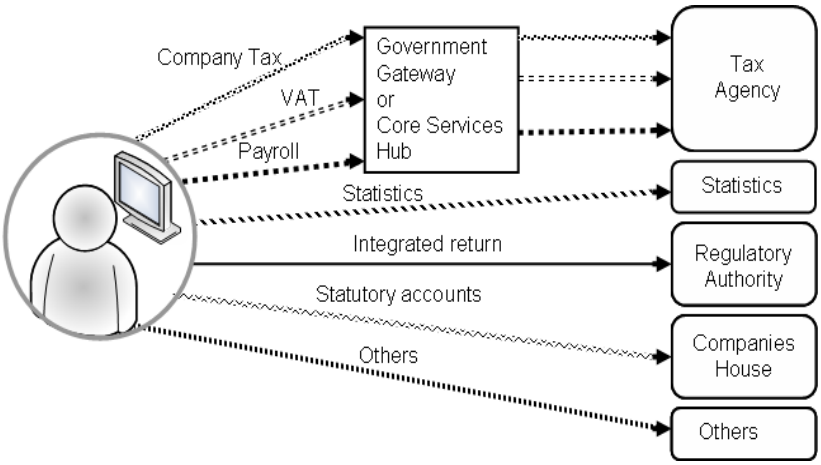
10. Studies in the Netherlands and in Australia, backed by early work on SBR in the UK, have estimated that the administrative burden imposed on businesses by government reporting amounts to roughly 2.5% of GDP. The Netherlands and Australian studies estimate that SBR related savings could reduce these costs by at least 8%, reducing the burden by 0.2% of GDP to 2.3%, which represents savings in the high hundreds of millions in both currencies.

11. The cost benefit analyses produced by both countries are compelling even allowing for the fact that they do not take into account some of the multiplier effects that the straight-through production of structured data might bring about in the wider economy.

12. Diagram 1 is loosely based on the current situation in the UK. It illustrates the extent to which businesses have to produce unique capabilities to report to Government. For the same piece of information, Departments may have different descriptions or simply describe them by box numbers on a unique form. This situation is represented by the different shaped lines from business to Government. Business and their intermediaries are left with the problem and cost of identifying what piece of information that is within their accounting or other systems and mapping that information multiple times for different reports. In addition to being costly in its own right it also largely rules out the role that a "Government Gateway"[2] could play in reducing the number of financial reports a business has to make to Government.

[2] "Government Gateway" is used here to mean a service through which reports are routed and which carries out authentication of the reporter. It may also perform other services. In particular it could be used to allow for a single submission of financial data which the Gateway "disaggregates" sending relevant information to each Department as appropriate.

Diagram 1 - Pre-SBR position – multiple data format reporting



13. In a paper world, it was very difficult to do much about this problem. But in an electronic world it should be possible to reduce the burden on business and provide greater value to Government from the information it collects by standardising and normalising information descriptions and formats and not asking business to keep sending the same information multiple times. This sounds obvious and deceptively simple but Governments around the world have been struggling with this problem for many years. Most of the initiatives which have been tried have addressed the symptoms of the problem (such as databases that cannot communicate with each other) rather than the cause which is the lack of consistent data definition, format and structure. SBR addresses that cause and, therefore, the root of the problem. As a result, and because it exploits the direction of travel of business rather than trying to impose a Government solution on the problem, it has been gaining increasing traction. So, what is SBR?

III. What is Standard Business Reporting?

14. SBR is not yet a universally accepted or understood term. Even within those countries that are adopting SBR or considering its feasibility, its scope and precise implementation differs. But there are fundamental concepts at the heart of SBR which distinguish it from other approaches and which allow differences in implementation without undermining the unifying concept. Essentially, SBR is based on:

    - Creating a national financial taxonomy which can be used by business to report financial information to Government. That taxonomy could encompass all financial data from outset or be built up gradually.

    - Using the creation of that taxonomy to drive out unnecessary or duplicated data descriptions.

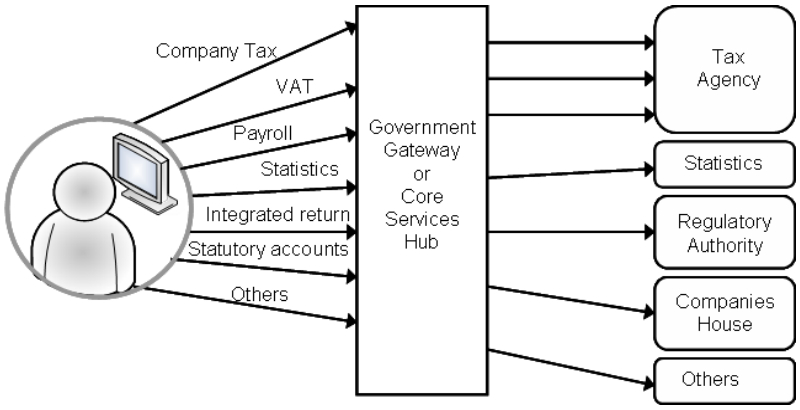
    - Enabling use of that taxonomy for financial reporting to Government and facilitating straight-through reporting for many types of report direct from accounting and reporting software in use by business and their intermediaries; and

    - Creating supporting mechanisms to make SBR efficient where they do not already exist (a single Government reporting service or portal or gateway etc.)

15. In essence, that is all that SBR involves. This paper does not examine the third and fourth bullets in any depth because they are essentially technology infrastructure-related for which there are proven solutions. It does, though, look at how to create a taxonomy and drive out unnecessary or duplicated data in a little more depth later. But the first step is to paint a fairly simple picture of how SBR addresses the problem described in the previous section.

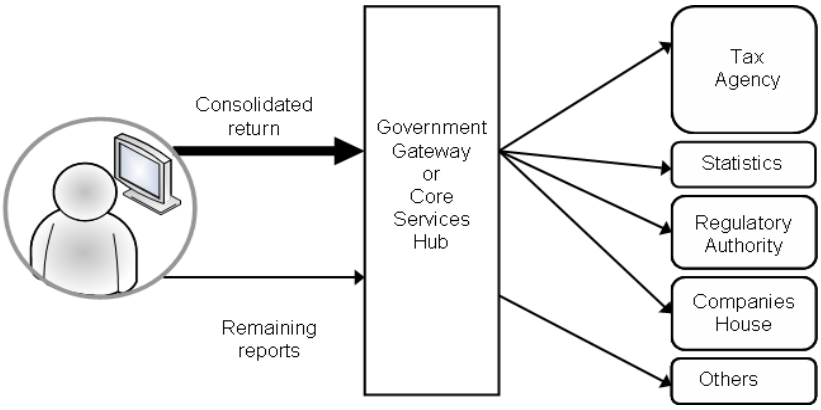
16. Diagram 1 showed how business must change multiple times the format of information used in financial reporting to Government and how the same information will often be sent at different times to many different destinations. By introducing the key elements of SBR described in the bullets above that picture can be radically transformed- refer Diagrams 2 and 3.

Diagram 2. Standard data format – multiple reporting model



As now but with standard data format. Business continues to make multiple returns but all using same data format

Diagram 3. Standard data format – consolidated reporting model



17. Exactly how the change is bought about will be covered in the sections that follow on the key elements of SBR. The point here is to visualise the change itself and to see that it tackles an important cost pressure for business; the selection and transformation of data to make multiple financial reports to Government.

18. The difference between Diagrams 2 and 3 brings out an important learning point in implementation work so far. Both represent a form of SBR. Diagram 2 shows the standardised information being sent to Government but still being sent via multiple different reports. Diagram 3 shows that standardisation of the information could be exploited to consolidate the multiple forms into a single report (or few reports). Early thinking around SBR tended to assume that this consolidation was an important part of initial implementation. However, two points have tended to change that thinking. First, the major benefits to business flow from standardisation of the information. Physically sending a report or form containing that information does not, of itself, incur a significant cost in an electronic world (though it used to in a paper based world). Secondly, it is actually quite difficult to consolidate forms across agencies because it can raise timing and legal issues. Countries are therefore generally tackling information standardisation first while creating an infrastructure which could support report consolidation at a later date if there prove to be sufficient benefits to business.

19. In fact, SBR has the potential to achieve much more for business and Government. While the initial focus is on financial reporting to Government, the standardisation it introduces can be exploited for 'business to business' reporting and for more effective and efficient use of information within Government (including risk assessment which is important to revenue bodies). For example, commercial banks and their customers might derive significant benefits from the regular provision and analysis of such information. The Dutch project is piloting such a scheme, in conjunction with local banks, at the time of writing.

20. At this point it is necessary to explain a particular technology aspect of SBR. In order to be effective using today's technology, SBR has to exploit a computer reporting language called eXtensible Business Reporting Language (XBRL). The power of XBRL lays behind SBR, hence the need for a simple level of understanding both of XBRL and of why SBR is not dependent on the continued use of XBRL in the long term.

21. From the inception of the web, computers have used HTML[3] to display information on screens. In essence, HTML defines where on a screen some information should go and

[3] HTML stands for HyperText Markup Language.

allows that information to be specified. But HTML has no concept of what the information is; just that it is there. The development of XML[4] was a key enabler of the explosive growth of the Internet as a vehicle for transactions. XML does what HTML had done but it also introduces an understanding of what the information represented is. This is achieved by publishing a "schema" or definition of the service. XML schemas remain very powerful but have their limitations. In particular, they can only specify relationships between items of information in a fixed and hierarchical way. XBRL, which is simply an application of XML, introduces the notion of a "taxonomy" that allows a whole range of non-hierarchical relationships to be specified. It is this additional capability (and others) that can be exploited to power SBR. Indeed, XBRL is being used by Government in a number of countries for the advantages it offers in specific reporting areas rather than across the board[5]. The key point is that SBR will not be dependent on XBRL in the future as new technologies emerge; it can simply use those new technologies to express the national taxonomy.

National financial taxonomy

22. A taxonomy is essentially a data dictionary. Taxonomies have been in use in Government for many years but with a fundamental limitation; there have usually been multiple taxonomies for the same area. So different Departments within a jurisdiction would typically have their own taxonomies meaning that there could be, and usually are, different definitions for the same data item in different Departments. Indeed, definitions may even vary within Departments. In a world of electronic filing this is a major headache and cost for businesses and/or their agents because they have to map from their accounting systems to all of these different data definitions and formats. In recent years Governments have tried to tackle this problem through initiatives such as e-GIF in the UK which provides mandatory data definitions for certain items such as name, address, bank a/c number and National Insurance number. But these have been limited in scope and have not necessarily been linked closely to developments in the private sector.

23. In practice, different government agencies have used many different ways of "marking up" data (ranging from comma separated files, through EDI and XML Schema) to facilitate their e-filing programmes. The use of a single format and, more importantly, a single data dictionary, makes it possible to simplify the dealings that businesses, their accountants (and, crucially, their software suppliers) have with a range of agencies. XBRL imposes a specific syntax that is interoperable across XBRL compliant systems and therefore across organisational boundaries. In addition, it imposes reasonably significant obligations on those involved in the creation of data definitions. Some data dictionaries contain just the name and internal definition of a reporting concept. XBRL requires that, at least, the definition includes a precise data type, an element name, a label, a description, and a link to an authoritative reference. The combination of a portable format and precise requirements makes this approach very suitable for collaborative work across agencies, including integration with disparate systems.

24. The basic proposition for SBR is the creation of a national financial and business reporting taxonomy that Government and the private sector use to describe data. As mentioned earlier, the only real way currently to express that effectively is by using XBRL. However, if other means of expression are developed, the taxonomy can use them. That is why it is critical to understand that SBR is not a technology initiative but a policy one which harnesses technology.

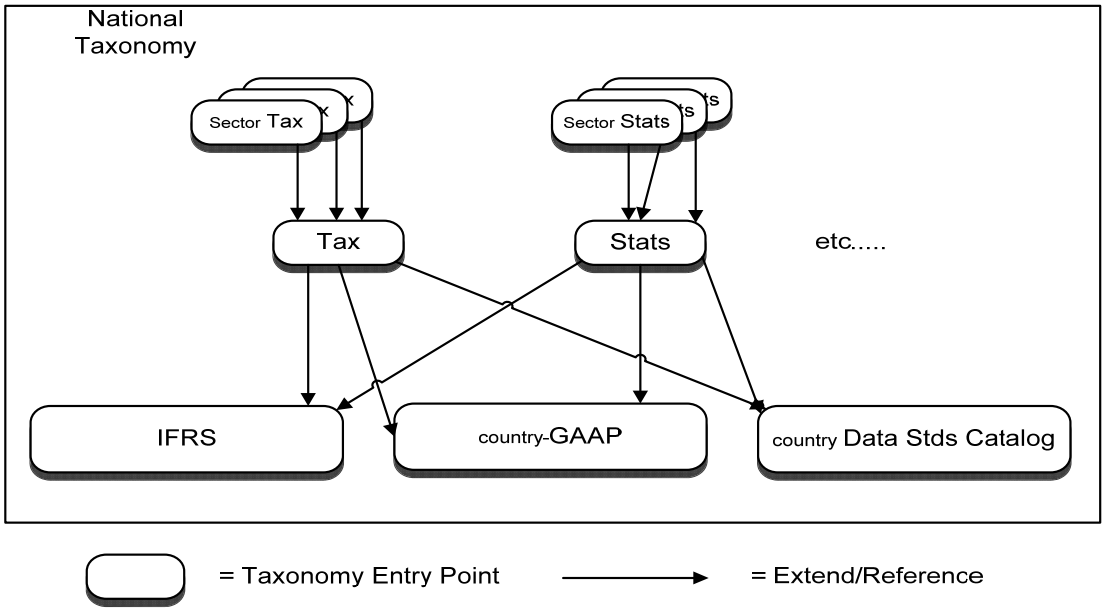
[4] XML stands for eXtensible Mark-up Language

[5] For example reporting to the SEC in the USA

25. It may help to give an example of how such a taxonomy could be created. In reality, there are many issues and ways of creating a national taxonomy. But most countries are settling on a process which builds the taxonomy incrementally by focusing on some key reporting requirements across more than one agency. Even within this approach there are variations which can be seen in the examples at Annex 1. But it is possible to generalise a broad approach which is sufficient to explain the concept underlying a national taxonomy.

26. The foundation for such a taxonomy is the International Financial Reporting Standard (IFRS) which already exists in most countries and does not have to be (and should not be) recreated by Government. It is then extended using the Generally Accepted Accounting Principles (GAAP) for the specific country. This also generally exists already. Then it can be extended by adding any generic Government data items not included in those two standards. An example might be a Trade Classification number. These are represented in the bottom layer of Diagram 4 below. The taxonomy can then be extended to cover data items unique to a Government domain (such as Tax or Statistics). Again, this can be seen as the middle layer in Diagram 4. In fact, this need not be the final extension. Governments could choose to add sector specific extensions to the taxonomy. Examples might include shipping or insurance. This process can be seen in the top layer of Diagram 3. This extension approach provides a powerful national taxonomy. In addition, still more value might be derived by having extensions that use but live outside the national taxonomy. For instance, company specific data items could be represented in company specific extensions to enable rich interchanges with very large businesses. All this is, of course, a very simplified view and, in the real world, pragmatism and compromise have a part to play. In practice, for instance, both Australia and Netherlands have found that it is more practical to begin with a sub-set of IFRS. But the key point is that the base taxonomy is consistent with that used by the private sector so that financial reporting to Government and other financial reporting (for instance to and between Banks, or between tiers of Government) can follow the same direction of travel and thereby provide multiple opportunities to reduce costs.

Diagram 4. Creating a National Taxonomy – an approach



27. The approach in Diagram 4 also demands that Government look at the number of unique data items it asks business to report. Otherwise, the domain-specific extensions are likely to become so large as to be unmanageable and impose unnecessary cost on business. Various Government agencies have different, legitimate reasons for collecting information from businesses. Over the years their different perspectives have led to data items which are effectively the same being described differently. Alternatively, items may be slightly different but there is no real need for them to be. Evidence from Australia and Netherlands, in particular, suggests this is quite a common problem. By analysing the different requirements set out in different forms it has proved possible to undertake some major rationalisation. This is a very significant benefit of SBR and it is worth looking at the Australian SBR programme in a little more detail to explore because the level of rationalisation which can be achieved is becoming more evident as their taxonomy development progresses.
28. The Australian SBR programme has 12 government agencies in scope and covers the reporting elements of 95 forms which are predominantly financial based. As at 3 October 2008, the definitional information had been captured for all of the 95 forms. However, only 20 of these have so far been through the harmonisation and rationalisation process and defined within the SBR Financial Reporting Taxonomy.
29. These 20 forms represent the collection of 2,694 data items, which was reduced to 1,094 unique data items – a reduction of 1,600. This reduction reflects the identification of duplicate terms, and alignment of some where the name is different and the meaning is the same. The team has also identified and uniquely named terms where the name was in fact the same, but the meaning is different (e.g. employee). The Australian team believe further reductions will be possible.
30. At this stage, the Australian SBR programme is not seeking to change any legislation to align legal definitions. But they are identifying areas where there would be significant gains from straightforward legal alignment and will raise them with the owning agencies. A simple example is the term “employee”. In Australia, across the Commonwealth Government’s agencies, as well as the eight state and territory government agencies, there are 59 known legal definitions of the term “employee” and these are all different. This represents a significant cost to businesses reporting to government.
31. A full copy of the Australian SBR Financial Reporting Taxonomy can be found at www.sbr.gov.au

IV.The benefits case for SBR

32. As mentioned earlier, there are multiple levels of potential benefit from SBR both to the private sector and Government. This section looks only at the immediate reporting based benefits to business which would likely form the basic business case to justify its implementation.

33. Broadly speaking, there are two key aspects to such a benefits case for SBR; identifying the areas of benefit and deciding on an approach to quantifying benefits in those areas. Every country has different legislative requirements for financial reporting, different cultural relationships between Government and business, and varying levels of maturity of financial reporting. As a result, the benefit areas and amounts will vary in each country both in importance and amount.

34. Work to date suggests that there are seven main benefit areas:

    - Reduction in the administrative burden (i.e. cost) of providing data to Government-

        - removal of spreadsheet analysis processes (Gartner estimate "the average Fortune 1000 company used more than 800 spreadsheets to prepare financial statements for regulatory reporting");

        - reduction in the cost to rework and re-present data; and

        - removal of the need to re-present data that could be derived from submitted accounts and computations during audits and investigations

    - Streamlined process of passing/aggregating data across different internal departments, offices or business units of a company.

    - Increased interoperability of finance applications:

        - Connect disparate accounting packages together more easily (especially across different accounting areas)

        - Increase the ability to switch software providers in the future

    - Increased ability to change providers of filing services (where used) driving increased competition for business and lower charges.

    - Better interaction with the banks for loan applications and risk systems:

        - Bank loan businesses money and request financial information at the inception of the loan and throughout the loan cycle

    - Improved data quality (less errors due to less manual intervention).

    - Avoidance of fines for non-compliance with a mandatory request to provide data.

35. The major focus of an initial business case is likely to be the first two areas, as has been the case in Australia and the Netherlands.

36. The main approach to quantifying this benefit has been through time and motion studies, looking at the amount of effort a business or its agent expends complying with a request to provide financial data to Government and how much this could be reduced by having a standard mechanism for reporting.

37. In the UK, KPMG conducted some detailed analysis based on an agreed Standard Cost Model (originally used in the Netherlands) to assess the total administrative burden placed on businesses by the UK tax system. They arrived at a figure of approx £5.1 billion per year.

38. In Australia, SBR is expected to save businesses $A795 million per year on an ongoing basis through three key benefits [6]:

    - reduced time and effort spent preparing reports for government by businesses accountants and bookkeepers
    - reduced time and effort spent filing reports for government
    - reduced time and effort spent dealing with errors.

39. In The Netherlands, the Dutch Taxonomy Project is expected to save business 25% of the costs of complying with financial reporting requirements. This translates into a saving estimated to be worth €350 million per year.

[6] Source www.sbr.gov.au

V. The importance of policy leadership and how to achieve it

40. This section deals with the importance of positioning SBR as a cross Government policy initiative not as a revenue body technology initiative. It then suggests what role the revenue body can play.

41. SBR is a classic example of using new technology (XBRL) to achieve a policy objective; in this case, reducing the cost of financial reporting to Government. But it is crucial that that policy objective exists, otherwise SBR becomes a technology initiative providing a solution to a non-existent problem. Of course, SBR is not the only way to reduce reporting costs and it may not be the most appropriate way in the circumstances of particular countries. So what role can the revenue body play in assessing its potential?

42. First, one has to bear in mind that the revenue body will usually be the source of more reporting requirements than any other single Government organisation. Many Governments now have targets to reduce the administrative burden on businesses. Such targets will then usually be reflected in the revenue body's own targets. SBR offers a way for the revenue body to meet its own targets while contributing to wider Government policy objectives. There is, therefore, every reason for the revenue body to play a major part in assessing the potential of SBR and driving its implementation if appropriate. But, ideally, leadership should come from a policy arm of Government that ranges wider than just tax reporting.

43. This is precisely what has happened in the Netherlands where both the initial assessment and the implementation have been led by a consortium of the Ministry of Justice and the Ministry of Finance. This has given the Dutch project a very powerful base and has avoided the project being seen as just a tax initiative or a technology initiative. But, in many countries, it may be necessary for the revenue body to provide the initial impetus while avoiding the associated risks.

44. In Australia, for example, the Australian Taxation Office (ATO) carried out an initial assessment and proposed SBR be taken forward as part of the response to a wide-ranging report on reducing the regulatory burden on business [7] titled 'Taskforce on Reducing the Regulatory Burden on Business'. In taking that approach, the ATO positioned SBR as a policy not a technology initiative. After the ATO's initial report, the Australian Treasurer's Office took over the initiative with the ATO continuing to play a major role, thereby adding the wider Government context which is so important. New Zealand is following a similar course with an initial report from the Inland Revenue being worked up into a national business case led by the Ministry of Economic Development.

45. In the UK, HMRC led a group of 3 Departments and private sector representatives to produce an assessment of and initial business case for SBR. The report was very positive and succeeded in positioning SBR as a policy initiative. It also suggested transferring leadership to the UK Cabinet Office or Treasury. As yet, that transfer has not happened. The lack of that cross-Government leadership has led to the SBR initiative being put to one side for a year (although building blocks are being put in place).

46. So there is a clear picture here. Countries have succeeded in positioning SBR as a policy rather than a technology initiative. The fastest progress has been in the Netherlands where there has been cross Government leadership from the start. Progress in Australia has been rapid since the ATO used its initial examination to successfully make the case for cross-Government leadership. Progress is being made in the UK but on a slower track via HMRC only implementation initially. [8]

[7] Report of the "Taskforce on reducing the regulatory burden on business" – www.regulationtaskforce.gov.au

[8] The UK is a unique case because the Government decided some time ago to make compulsory the use of XBRL for Company Tax reporting only. HMRC, therefore, has to implement this whether on its own or as

47. Significant benefits realisation can be achieved simply through the standardisation of reporting technology. However, there are significant, additional, benefits to be obtained and they mostly relate to the elimination of duplication and harmonisation of data definitions. This is another reason why cross Government collaboration is so vital. Such harmonisation and standardisation requires both policy leadership and the knowledge of subject matter experts from across multiple Departments.

48. All of the countries approaches are valid in the sense that they reflect pursuit of the same goal. In a sense, all have the same route map—they are heading for the same place and understand the dependencies and enablers—but each has a different roadmap—a specific set of directions to get there. This is a powerful feature of SBR. There are multiple ways of implementing the key principles to take account of the different political and/or economic environments in the different countries.

part of a wider initiative. It is doing so in consultation with others to try and create a reporting environment which will support SBR.

VI. The importance of private sector involvement

49. Ultimately, SBR is about reducing the costs to business of financial reporting to Government. It is therefore critical that business plays a very strong part in assessing and implementing SBR. But this is more complex than it may sound from two perspectives.

50. Firstly, SBR affects different customer segments in different ways. The key distinction here is between very large businesses and very small ones. Often, people can see the benefits to very large businesses, especially multinational ones, but they may struggle to see how it benefits small business. Indeed, it may at first seem an additional burden because of the requirement to use XBRL. There are benefits to smaller businesses which can be explained using the seven benefit area analysis (as described at paragraph 34) but it is important that small businesses participate throughout the assessment and implementation phases.

51. Second, there is a supply chain in financial reporting which will be different in each country. The role played by agents, in house tax departments and the business itself in financial reporting can vary greatly within and between countries. The revenue body is ideally equipped to understand those complex relationships but needs to draw in how relationships in other areas work, for instance, Statistics reporting.

52. Although SBR is not a technology initiative, it does depend on technology being provided by the private sector. This is, arguably, the most difficult area to manage private sector involvement. The experience of the countries involved so far is, though, entirely consistent. The driving force for shaping SBR implementation is the needs of the reporting business and their agents who play a part in the process. The software industry which provides products to support them in doing that is an important participant but it should not drive what those needs are. Instead, the software industry should be encouraged to adapt their products to support their customers needs under SBR. If business and agents are sufficiently involved they will create the market dynamic to make this happen.

53. In the Netherlands, private sector involvement was secured via a “covenant” agreement between all of the stakeholders, an innovative and successful mechanism. In Australia, this has been undertaken via a very detailed stakeholder communication plan as well as significant interaction by senior agency executives with a wide range of private sector representative bodies.

54. In the UK, the initial business case work included representatives from the Federation of Small Businesses, the British Chambers of Commerce, the Institute of Directors and the Institute of Chartered Accountants. All responded very positively to being asked to shape this cost reduction initiative. The software industry was consulted separately through two key bodies; Business Application Software Developers Association which represents the industry companies and the British Computer Society which represents professionals in the industry and has a Royal Charter to promote the interests of the consumer. Both offered qualified support because, essentially, they will be driven by the demands of their own customers, business and their agents.

55. The perspective of the many private sector participants in the SBR supply chain will not necessarily be consistent across countries because that supply chain itself works differently in different countries. But the need to understand their perspective and involve them in the process will be.

Annex 1

Updates on current SBR projects- Australia

The Australian Standard Business Reporting Program

Introduction

Standard Business Reporting (SBR) is a multi-agency program that will reduce the regulatory reporting burden for business by:

- removing unnecessary and duplicated information from government forms;
- utilising business software to automatically pre-fill government forms;
- adopting a common reporting language, based on international standards and best practice;
- making financial reporting to government a by-product of natural business processes;
- providing an electronic interface to enable business to report to government agencies directly from their accounting software, which will provide validation and confirm receipt of reports; and
- providing business with a single secure online sign-on to the agencies involved.

SBR is being co-designed by Australian, State and Territory Government agencies in partnership with business, software developers, accountants, bookkeepers and other business intermediaries from across Australia. Led by the Australian Treasury, the agencies participating in SBR are the Australian Bureau of Statistics (ABS), Australian Prudential Regulation Authority (APRA), Australian Securities and Investments Commission (ASIC), Australian Taxation Office (ATO) and all State and Territory Government revenue offices (SROs).

The SBR Program resulted from one of the recommendations of the Banks taskforce, which examined the regulatory burden on Australian businesses. SBR will simplify the reporting requirements within the current regulatory frameworks, and will not seek to change regulation in order to achieve a regulatory reduction. This should reduce the impact and cost of adoption by business.

As well as improving the reporting processes, SBR is developing a new e-channel for business and accountants, and will also provide a single secure sign-on to on-line services across the agencies in scope.

Government Commitment

Following the development of a business case in 2007, the government signalled support for SBR and provided funding for its development and delivery. Reduction of regulatory burden is the driving principle for SBR, and this aligns with current policies. There are 13 Australian, state & territory government agencies collaborating in the delivery of SBR. A communiqué about SBR was released by the Coalition of Australian Governments (COAG) in July 2008, and ongoing progress reports are provided to COAG's Business Regulation and Competition Working Group.

Partners in SBR

The development of the overall design and implementation plans for SBR is occurring in collaboration with the agencies, businesses, intermediaries (in particular the accounting community), and software developers and suppliers. These groups have a key role in the reporting chain, and the program will not succeed without their ongoing support.

SBR Solution – the building blocks

There are 6 main components of work in the development of the SBR solution. These include:

1. Rationalise/Harmonise Reporting Terms/Definitions
2. Develop the Reporting Taxonomy
3. Support SBR in accounting/financial/payroll software:
    - Map the Reporting Taxonomy to chart of accounts/financials
    - provide the user interface to see and complete reports
    - Connect to the SBR Core Services to send the reports direct to the agency from business/intermediary software
4. Develop the SBR Core Services:
    - a new e-Channel connecting businesses software to the agencies; and
    - a multi agency authentication/single sign on process and system for secure on-line interactions
5. Connect Government systems to the SBR Core Services
6. Educate and market to users and get them to start using the SBR services for report creation and delivery.

The key components of interest to accountants would be the rationalisation/harmonisation of terms and definitions, the mapping of the taxonomy, and the use of the complete system when it is available. SBR will become standard functionality in accounting software, but the benefits accrue only when that functionality is used extensively.

The Taxonomy

In the development of the reporting taxonomy, the agencies undertake the rationalisation/harmonisation process. The result of this process is to identify and define every element or label that is reported to the participating agencies, and to ensure that information requested which has a different name but means the same thing, is standardised to a single name. Similarly, information that has the same name, but a different meaning will be identified and uniquely named. There are many words that have multiple and different legal definitions. It is not intended that legal meaning will be aligned through the current process, however once established, the SBR Taxonomy will assist in identifying possible focus areas for future legal alignment. SBR also has an avenue to escalate legal definition issues that would improve the business case directly to the agencies involved.

The SBR Financial Reporting Taxonomy will be the standard reporting language. The Taxonomy is simply a collection of reportable terms and their association with accounting and related concepts. It will include:

- the name of the item
- business definition
- legal definition
- calculation rules
- synonyms
- start/end dates etc

The Taxonomy development will assist in eliminating duplication, and could be the basis of further regulatory reduction, as it will provide a new measure of regulation. When mapped to the financial and payroll data in a businesses system, the Taxonomy will simplify and automate much of the reporting processes.

The SBR Financial Reporting taxonomy is being developed in XBRL (eXtensible Business Reporting Language). XBRL is a powerful and flexible variation of XML. XBRL was developed by accountants internationally for financial reporting. It enables unique identifying tags to be applied to items of financial data. XBRL allows unique and consistent labels to be applied to items regardless of what language the accounts are written in, as well as accounting references or other subsidiary information.

The SBR Taxonomy will include the International Financial Reporting Standard (IFRS) Taxonomy which was developed under the guidance of the International Accounting Standards Board (IASB). As well as IFRS, the SBR Taxonomy will define locally required definitions such as "Not for Profit" and "Government" sector standards, and the agency specific terms which may or may not derived from IFRS or accounting standard elements.

A change control and governance process has been established to ensure that the SBR Taxonomy can be assured and certified. The Australian Accounting Standards Board (AASB), the agencies involved, businesses, software developers, accountants and accounting associations are involved in this process. ICAA will be represented.

As a demonstration of the ability to remove duplication, the first SBR Taxonomy (which was a prototype delivered in March 2008) defined the reporting information across 9 reporting forms from the participating agencies. Across these 9 forms we identified 2,800 labels, and after removing duplicated information (ABN is an easy example) there were only around 900 unique labels in the Taxonomy.

Core Services

The SBR Core Services will simply act as an electronic postal system – moving reports from accounting/record keeping software used by businesses and accountants securely to the relevant agency and returning a receipt. Core Services will validate the contents of reports by checking that they are syntactically correct and ensure the correct Taxonomy has been used. Through the use of open standards it will make it possible for the many accounting software developers in Australia to send messages to what appears to be "one government" system. Similarly, it will allow the twelve reporting agencies to communicate electronically with the many software developers' products (and the users – accountants and business) as if they were communicating with just one.

As an electronic postal system, there is no SBR website or portal to navigate to. Reporting is managed completely between your software and the agency involved.

The SBR Core Services ensures that the report from each body's software is delivered to the required agency. There is no copy kept, nor a central database. The report is only held long enough for it to be delivered, or a message back to the user informing that it couldn't be delivered – a maximum of a few seconds.

Specific functions of the Core Services include:

- Move reports from accounting software to the correct agency and return a receipt
- Validate the report is syntactically correct
- Publish the updated Taxonomy
- Publish the specifications required for software developers to use SBR services
- Provide a single government interface for all participating developers
- Provide a single interface for the agencies to communicate electronically with participating developers; and
- Integrate the security and authentication processes.

The Core Services are being developed by the Treasury Team, and once operational it is intended the operational management be assigned to the Tax Office.

Authentication

To provide a single channel to report to multiple agencies, it is necessary to have a single secure sign on process. SBR is developing a fit for purpose single sign on process and system that balances useability with security for reporting via SBR, as well as access to other on-line services the participating agencies provide.

The single sign on process is in contrast to today's situation where there are twelve different registration processes and 12 different digital credentials (where the digital credentials range from PIN/Password to Digital Certificates).

This part of the SBR Program is being managed within the Tax Office under the guidance of the SBR Program and Board. Requirements have been gathered through workshops in recent months. These requirements take into account feedback on current authentication processes, such as the existing Tax Office security processes, where registration (applying for and setting up the credential) and credential management processes are key issues for many existing users.

The authentication solution will be the subject of user testing to ensure that it does not become an inhibitor for the uptake of SBR and other agency based on-line services.

How does it all work?

As the scope of SBR involves a large range of reporting activities, there are several different ways that SBR will work. For example the reporting process for payroll tax and the BAS can be largely automated within your software. However, for a Financial Statement the use of the Taxonomy will aid traceability and the aggregation of data, and also provide the report in a format that can help with market comparisons by analysts and investors.

For many of the forms, your software will provide pre-filling of reporting information; allow editing and further data entry to complete the form; and let the user (accountant or business) send the completed report securely to the right agency. It will also provide an electronic receipt confirming the delivery of the report. Real time processing where provided by the agency, will add further information to the receipt.

For more complex reports such as the corporate income tax return, the same pre-filling process will be provided. While the return may be completed by the business, it will more likely be provided to their accountant to complete the process.

Financial Statements as an example

In the case of a Financial Statement, it is important to remember that the purpose of the information being reported is quite different to that provided on a form for the Tax Office. Financial Statements are created largely for governance of the company and are signed off by their Board. When provided to ASIC, the Financial Statements are published for the investor community, and the data used within ASIC for regulatory purposes.

Using SBR facilities, companies and their accountants will map the Taxonomy to underlying financials which will allow aggregation of inputs to Financial Statements. Software will allow translation of Financial Statement reports to either PDF or XBRL documents, which can be sent electronically and securely from accounting software via the SBR Core Services to ASIC. In this scenario, the Taxonomy mapping processes will replace current aggregation mappings.

SBR and ASIC have been co-designing the future reporting requirements under SBR with accountants, associations and business. An overall reduction in burden is expected.

The Business Case for SBR

The overriding benefit expected from SBR is a reduction in the regulatory reporting burden for business. During the development of the SBR business case in 2007, a broad conceptual solution was developed and used as a basis for consultation. Following broad acceptance of this concept, workshops and studies were held with accountants and businesses to determine the likely reduction in hours spent in reporting resulting from SBR.

The reduced workload was largely in the gathering of required information and the analysis and assembly of this information into the forms to be reported to the government agencies involved. In particular, it is envisaged that the Taxonomy's use within accounting software will allow pre-filling of much of the information reported on the forms.

The average reduction in time taken was calculated in hours that businesses (in various segments) might save per annum as a result of SBR, multiplied by the average hourly earnings at $27. This number could then be used to calculate total benefits (reflected as savings) based on the ultimate take-up rate that SBR should be able to achieve. While it is fully understood that much of the reporting burden has been outsourced - and hence was being undertaken at a much higher hourly rate - the savings estimates we used are based on the more conservative hourly rate that a typical business would save if they were doing the reporting themselves. This means that for those businesses that do outsource the reporting, paying hourly rates for professional services such as accountants, the savings would be even larger.

In the calculations, the business case estimated the total business population to be 2.1 million businesses. Of these some 600,000 were excluded from the calculations on the basis they did not have contemporary accounting software. All of these excluded businesses were part of the small business segment. It is likely that their record keeping and accounting is undertaken by a third party provider – a bookkeeper or accountant, though in some cases they used older versions of software simply to produce a BAS. The business case did not assume any benefits for these businesses, as it was seen as unlikely that many would purchase modern accounting software to participate in SBR. However, even in this sector those businesses using a bookkeeper or accountant may still see a reduction in the reporting workload.

This left some 1.5 million businesses that could potentially access SBR services via their software. Based on observed usage patterns and take-up rates for comparable on-line reporting systems, the business case assumed that the likely take-up rate for SBR would be 12% in year 1, 24% in year 2, 48% in year 3 and 60% in year 4 – 2013/14. Benefits are assumed to plateau in the fourth year, reaching a total of $795m in savings annually, as it is not envisaged that user take up rates will exceed 60% (of the 1.5 million businesses).

These estimates reflect that SBR is a new optional channel for reporting that will be seen as attractive to many but not all business, ultimately becoming the channel of choice. Obviously there would be further cost and benefit implications if such a service were mandated.

The modelling processes used in the development of the SBR Business Case were signed off by the Office of Best Practice Regulation. Similarly, the process and calculation of the benefits has been discussed during consultations with industry associations, businesses and software developers.

The cost/benefit process used to date has covered the potential direct efficiency gains to the reporting process for business. So far we have made no attempt (nor do we intend) to measure the broader economic gains resulting from the introduction of SBR; however the broad implications are discussed below.

The major drivers for increased reporting efficiency for businesses and accountants include:

- less time and effort (Based on reduction in time spent by businesses and accountants in the assembly, analysis of information) required to report to government

- an ability to satisfy their reporting requirements directly from the system that they use to keep their accounts/records
- a single sign-on to secure government on-line services
- reduced barriers to adopting more sophisticated accounting and management systems
- access to more up to date financial performance information
- certainty that the reporting obligation has been dealt with and received by government.

The proposed SBR design has been supported by businesses that have been consulted to date. In particular, it meets their desire to "send the report direct from my system to the Tax Office" without having to print and analyse reports and then re-key the data into another system – it will "let me see it on the screen and just send it".

As well as the efficiency benefits which have been measured, there are also a range of effectiveness benefits for both businesses and accountants. While these have been documented, again they have not been measured. These were referenced in the Business Case and include improvements that provide:

- up to date financial information and analysis
- better informed financial decisions
- greater transparency in governance processes
- better access to investor markets on the basis of financial statements that can be more readily compared
- potential improvements in the sustainability of the accounting industry in Australia
- alignment with reporting processes internationally
- convenience for companies reporting across jurisdictional (e.g. national) boundaries.

Two large Australian accounting firms have been experimenting with XBRL in the preparation of Financial Statements. Both have reported publicly that they have experienced large reductions in both time and labour input to the process. Both have also stated that some of the savings will be passed on to their corporate clients.

Software Developer support

The SBR program is collaborating with software developers to enable them to meet the expectations of their users to have access to SBR capable software. As well as providing functionality that is attractive to their business and accounting clients due to the expected efficiency gains, there are also other benefits for software developers. These include the provision of the taxonomy, form templates, business and validation rules in an executable form, testing and certification facilities, and access to a range of government reporting forms that they hadn't considered supporting before (such as ABS Surveys). As we consult with businesses and accountants, their expectations and desires for greater access to reporting capability via their accounting software become increasingly apparent. SBR expects to provide many generic components to Software Developers in order to negate the need for all of them to create code for generic services. These components will be scoped and their development sponsored by government so that they are available to all developers – ensuring a wide availability of SBR services and reduced adoption costs, which will ultimately increase take-up rates for SBR.

Government Benefits

There will be some benefits at a government level also as SBR becomes a preferred reporting channel. The benefits are likely to include higher quality information, more electronic (less paper) reports, information that more closely aligns with what is being sought, a centrally administered single sign-on system process, and more timely reporting. With SBR as an

additional optional reporting channel, agencies will need to provide support to it from the outset, though the benefits will only accrue to them once SBR reporting reaches critical mass in later years. Again, likely savings to government have not been calculated yet as the focus is on benefits to business; however the SBR Program intends to estimate these benefits and report to Government in the 09/10 financial year.

Comparison with other countries

The Dutch approach

The Australian SBR program is based quite closely on a similar development in the Netherlands which is about 3 years ahead of our SBR program. We maintain constant contact with the Dutch Team on developments and issues. The Dutch Taxonomy has had a good take-up by developers, accountants and business. There are two Dutch case studies accessible via the SBR website which detail the resource savings that have been achieved by the two mid-sized national accounting firms. They also convey the shift in focus from post-event reporting to real time financial reporting, analysis and advice that is now provided to their business clients.

Other international experiences

The US SEC recently announced the proposal to mandate the filing of XBRL financial statements for large listed companies. There are 25 Australian companies that meet the criteria for SEC reporting in XBRL (known by the SEC as "Interactive Data"). The SBR Program will be working with these companies and their auditors to assist in the development of their reporting processes.

The New Zealand government has approved the consideration and development of an SBR business case and implementation plan for New Zealand. This is due for completion in December 2008. Given the degree of overlap in the software developer, accounting and business communities across the two countries, Australia and New Zealand are collaborating on the design of the Taxonomy and related "core services" in order to simplify adoption in both countries.

When is SBR being implemented?

1. Version 1 of the reporting taxonomy - March 2008
2. Version 2 of the reporting taxonomy - September 2008
3. TFN Declaration Pilot release - January 2009
4. TFN Declaration available to all in production - June 2009
5. New reporting channel (Core IT services) complete – March 2010 for use by July 2010
6. Version 3 of the reporting Taxonomy - March 2009
7. New whole of government authentication processes and systems – from September 2009
8. Fully operational end-to-end testing - September 2009
9. Full production availability for financial reporting through SBR including compliant financial software from suppliers - March 2010
10. Reductions in business reporting burden - July 2010 and onwards

What has been achieved to date?

As well as the range of consultation, communication and design activities undertaken to date, the SBR program has completed the following:

- Delivered a prototype taxonomy (March 2008). This included 8 forms across the agencies in scope. The ATO forms included TFN Declaration and Business Activity Statement. The number of data labels across the 8 forms totaled 2,800, and after

removing the information mentioned more than once around 800 unique items remained.

- Delivered the Cycle 2 Taxonomy (3 October 2008). This includes the definitional material for 95 forms. Harmonisation and rationalisation has been performed in relation to the reporting labels on 20 of the 95 forms. This led to the reduction from 2,694 reporting elements on 20 forms to 1,094 – a reduction of 1,600. This Taxonomy is available on the SBR Website for review, use and feedback

- The scope of the TFN Declaration Pilot (starting end January 2009) has been established to test the use of the SBR Taxonomy interaction with business software to pre-fill a TFN Declaration form, and send this report from businesses software directly to the Tax Office. Five quality software developers have signed up to be involved in the pilot.

- High Level Design for the SBR Core Services nearly complete and has been "user tested" in October – results remain positive. Similarly, the high level design for the "fit for purpose" single sign on for business to work on-line with the agencies involved was used as the basis of user testing during October.

- Form review processes have been initiated in the agencies.

Summary of Key points on SBR

Some of the key aspects of the design for SBR include:

- A strong business case – evidenced by the strong positive feedback from the User Experience Testing
- Software developers, business intermediaries and business are supportive
- Authentication is a significant issue which needs to be addressed as a part of SBR
- The reporting relationship between the business and agencies remain the same – intact reports for each agency reporting obligation will be seen in your software, and sent directly to the agency concerned. No further distribution is facilitated by SBR, and no reports are stored in SBR
- Inclusion of state and territory government payroll tax reporting provides a more comprehensive SBR financial reporting solution

Dispelling some of the myths

Many of these points have been discussed above, but given some of the misleading media portrayal of SBR it is important to point out that:

- SBR is **NOT** an additional reporting requirement
- SBR is **NOT** another government portal
- SBR is **NOT** a centralised database— SBR will be more like a postal system that enables systems to report to the agencies they need to.
- SBR is **NOT** an information technology project— Information technology is just a small component of the overall SBR program
- SBR is **NOT** going to change regulation—But when the need to change regulation becomes apparent to the program, it is being noted.
- SBR is **NOT** mandatory— SBR will be an optional reporting channel, which business will decide to swap over to as they determine that SBR is a smarter, quicker, cheaper and easier option.

Implications for Accountants

As well as a range of benefits to business there are also many benefits for accountants - as well as some work for them to do in order to make the best possible use of the SBR processes and systems. The benefits include:

- Less time spent on report preparation
- More time for value added services and financial advice for clients
- Single sign-on and online reporting to the government agencies involved
- Improved understanding of what information government is seeking
- Access to more up to date financial information
- Enhanced information sharing capabilities – with and from clients
- Certainty that the reporting obligation has been dealt with/received
- Further potential for certainty and early closure based on audit trails
- Better access to more sophisticated financial reports for use within the practice (not related to Government reporting)

By getting involved now, accountants can better understand the full implications and benefits on work practices, as well as taking up the opportunity to participate in and influence the solution design. Further, they will be better placed to assist their business clients who will be seeking advice from their accountants on what SBR means for them.

Consultation and co-design

SBR is a partnering with business, accountants, software developers and agencies in order to develop the overall design and the implementation plans. The designs for the key aspects will be tested with users to ensure the program is delivering the benefits expected by business.

SBR is consulting though a wide range of existing consultation processes across the participating agencies and is seeking ways in which to bring the message efficiently and effectively to the broader business community. We have established a Business Advisory Forum, which includes representation from industry bodies and associations.

Business Advisory Forum (BAF) Feedback

The kkey BAF feedback to date suggests software developers and accountants are best placed to ensure SBR messages are understood by the business community. Further, while software developers will need information on SBR early to fit in with their development schedules, businesses should be approached at a later date, closer to when working examples of SBR can be demonstrated and at a time when action is required as implementation is imminent.

Further information and contact details

More information on the SBR Program can be accessed on the SBR Website – www.sbr.gov.au

Updates on current SBR projects— Netherlands

Standard Business Reporting in the Netherlands

1. Introduction

The Dutch Taxonomy Project (NTP) was started in 2004 as part of the cabinet's objectives to reduce the administrative burdens on businesses. For businesses, compliance to regulatory financial reporting creates massive administrative burdens, as a result of diversity in data definitions and variety in report requirements. To reduce these burdens and to create a transparent, effective and efficient reporting environment for both government and businesses, standardisation of data and process definitions is prerequisite. These standards act as the common language for all involved participants in the reporting chain. NTP reversed the reporting chain: it is not 'government' systems which are decisive, but businesses' financial administration is taken as the starting point. The common language which is realised with the Dutch XBRL-taxonomy enables the entrepreneur to generate the required reporting information directly from his own records, and enables government to process this information efficiently and effectively.

The Dutch approach, with the business' administration as starting point and clarity in data definitions and streamlined reporting processes by the use of international open standards, is gaining a following in other countries, including Australia and New Zealand. The approach has turned into a concept which now is internationally called *Standard Business Reporting*.

As per 2009, NTP continues as Standard Business Reporting Programme (SBR Programme). The program objectives are deepening and embedding the results obtained so far. Due to the generic applicability of the SBR concept, broadening the scope to other domains and applications also became a programme objective.

This update starts with the principles of the SBR concept and the practical appliance in financial reporting (Part 2). Besides the objective advantages of SBR for both businesses and government, Part 3 contains observations and lessons learned as experienced so far by the SBR Programme (before: NTP) in the Netherlands. Part 4 describes the mainstream focus and activities of the SBR Programme from 2009 until 2012.

2. The SBR approach for reduction of administrative burden for businesses

Entrepreneurs are subject to all kinds of laws and rules. Often, public organisations are charged with duties of implementation and the supervision of proper compliance by businesses. E.g. the Tax Administration is charged with the implementation of taxation laws and ensuring that businesses apply these laws properly. There is no specific organisation responsible for implementation and supervision assigned to implement the rules concerning accounting law. The Civil Code merely provides a framework within which stakeholders make agreements. Still further rules and agreements apply to the delivery of statistical information. It is not clear to the entrepreneur what data, on the basis of which principle and form, to whom, at what point and in what context he must report. If it emerges that the entrepreneur is not complying with the formal and material requirements, then (legal) consequences are all too clear.

The entrepreneur is obliged to interpret laws and rules, to apply these for various government agencies in order to enable these authorities to carry out their tasks of law enforcement and/or supervision. To do so, the entrepreneur must collect data from his administration, perhaps refine this data (or have it refined) and complete and deliver it promptly. All these non-business-related activities for entrepreneurs are called administrative burdens.

Vision

A financial reporting chain without the SBR approach is organised from the perspectives and objectives of the various government agencies, instead of those of businesses. From the point of view of businesses, therefore, this is a suboptimal reporting chain.

With some manipulation, this suboptimal reporting chain can be made more effective and more efficient for each stakeholder. In order to achieve this, the legal framework and the regular administration of the business must be the starting point for the organisation of an optimal reporting chain.

- **Coupling of law making and law in action**
  In the legislative process (law making), account is taken of the feasibility of a law. The clearer and more open to only one interpretation a law is, the better coupling can be made with the execution of the law (law in action). By creating data and process definitions on the basis of the law and having these approved by the competent authority, authoritative data and process taxonomies are established which are (no longer) open to discussion.

- **Chain reversal; the administration of the business is central**
  Not the administrative organisation of government agencies are decisive, but the administration of the business is the starting point for the establishment of the reporting chain. This improves the quality of the administration. After all, the primary objective of the administration, being oversight, control and reporting, comes back to centre stage.

- **Coherence in law enforcement and supervision tasks**
  By placing the administration of the business at centre stage, terms, process steps and information for the purpose of law enforcement and supervision tasks from various reporting domains converge. For small legal entities, the reporting information is 'fiscalised', process definitions are normalised and a clear quality framework for guaranteeing the quality of the reporting information is proven.

The above statement is not sufficient to optimise the reporting chain. The chain itself must be mobilised in order to work differently. This happens if the actors in the chain (businesses, accountants and software suppliers) see enough advantages and the transition does not cost too much. To make the necessary change process possible, the SBR Programme (at the time NTP) has concluded a covenant with over eighty parties from both the public and private sector.

View at the reporting chain

On the basis of this examination, a reporting chain comes into focus in which, with in the various frameworks, chain partners make use of facilities and establish their processes accordingly. The reporting chain is established on the basis of international open standards[9] and makes use of the Dutch taxonomy and the process infrastructure for the compilation and exchange of reports.

A common, and therefore authoritative 'data dictionary', the Dutch taxonomy, has been compiled on the basis of XBRL. The Dutch taxonomy contains all – normalised– data elements which are (or may be) part of financial reporting obligations of businesses on the basis of fiscal legislation, statistics laws and accounting law. Due to the Dutch taxonomy it is no longer necessary to constantly adapt software and administration for various reporting purposes. The entrepreneur records data once in his administration and can use this on multiple occasions and for various reporting purposes.

In order to be able to use the Dutch taxonomy, the administrative software of the business and/or of its accountant must be made compatible with it. Subsequently a pairing is made between the

[9] The open standards used: Business Process Modelling Notation (BPMN), eXtensible Business Reporting Language (XBRL) and diverse standards such as Service Oriented Architecture (SOA), Business Process Execution Language (BPEL), Web Services Description Language (WSDL) and Secure Socket Layers (SSL).

data elements in the taxonomy and the administration, *the mapping*. A process once established in this way can be executed over and over again, without any extra effort or investment, to compile and exchange the reports which come under the Dutch taxonomy.

In the reporting chain, process steps are clearly described and normalised. These descriptions make clear where and how the various functions are applied for the secure and reliable compilation and exchange of reports. The requisite process steps are executed by so-called services within the process infrastructure: users and communications are identified, data compilations are validated, XBRL-validation takes place, signatures are added and reception protocols are executed.

Because the requirements for services have been standardised, and they are on 'public' sale by the market, these services can be used for several purposes, within and between organisations. This brings an end to the diversity of exchange protocols; this delivers considerable savings to software suppliers, businesses and accountants.

In summary, the first, direct effects of the SBR approach in the reporting chain are the neutralisation of diversity and the promotion of interoperability. The entrepreneur records his data once in his administration and can use these, with the aid of the Dutch taxonomy, for several reporting purposes. Accountants, software suppliers and government agencies only have to invest once in the (re-)establishment of processes in order to be able to provide their service in the reporting chain as efficiently and effectively as possible.

The reporting processes

The practical effect of the vision and chain reversal becomes apparent in the following descriptions of two reporting processes: the filing and requesting of annual accounts at the Chamber of Commerce and the submission of a corporation tax return to the Tax Administration.

Filing and requesting annual accounts at the Chamber of Commerce: At present, annual accounts are provided on paper or as a PDF to the Chamber of Commerce. This executive organisation conducts some formal controls (did the report originate from the director and control of the integrity of the information) and types the documents for publication into an information system. If someone wants to view the public documents, the data can be requested and the Chamber of Commerce provides a certified PDF. The business process of filing and requesting reporting information on the basis of the Dutch taxonomy is organised as follows: the entrepreneur or his intermediary produces the annual accounts (public document) using the Dutch taxonomy. If the company director delivers the documents, he is identified and authenticated electronically by the process infrastructure. If the intermediary delivers the annual account on behalf of the business, the process infrastructure also verifies electronically whether the intermediary is authorised by the company director. Next, the annual accounts are validated with use of the Dutch taxonomy and delivered to the Chamber of Commerce, which accepts this information on the basis of the Dutch taxonomy and stores it in a database. Anyone wanting to request these public annual accounts receives the report produced on the basis of the Dutch taxonomy.

The annual accounts produced on the basis of the Dutch taxonomy can be read and processed by the company, the Chamber of Commerce and the requesting party. There is no lack of clarity about the valuation principles applied and information does not need to be retyped. In the process, the role of the Chamber of Commerce changes and the possibility cannot be ruled out that in the future, certain functions will be left to the market and the Chamber of Commerce will merely retain a supervisory function.

Filing a corporation tax return to Tax Administration: The Tax Administration is charged with the statutory task of the execution and law enforcement of tax laws. Within the frame of law in action, the Tax Administration asks businesses to declare the taxable amount. The taxable amount forms the basis for taxation and consists of the taxable profits and corrections hereto. The taxable profits can be determined on the basis of the capital comparison or the result

from the profit and loss account, also known as the annual report on fiscal foundation. The purpose of law enforcement is to establish that the taxable profit is fully represented. In other words, are the sales figures complete, are the costs correct and have the fiscal rules been applied properly?

The use of the Dutch taxonomy by the business, his intermediary as well as the Tax Administration makes it possible substantially to reduce differences in interpretation of fiscal facts. The connection between the annual accounts and the annual report on fiscal foundation and the determination of the taxable profit make it possible that the business, the intermediary and the tax inspector carry out the same controls. This extends even further if reports to the Central Bureau of Statistics and the credit institutions are also taken into account. The obvious question is then whether it is in fact effective and efficient that the Tax Administration queries a multiplicity of data and whether the supervisory burdens could not be shared. After all, if an intermediary has already produced and filed the annual report on the basis of the Dutch taxonomy on behalf of a business and has provided periodic information to a banking institution, the Tax Administration can derive certainty from this. In case of doubt, the Tax Administration can always start a detailed audit and conduct observations.

By using the Dutch Taxonomy, the scope of the corporation tax return can be reduced to the annual report on fiscal foundation and information about the use of tax facilities which lead to the taxable profit. The enforcement tasks can be introduced more indirectly. This could also be regarded as a form of horizontal supervision.

Once the consequences of the use of the Dutch taxonomy for the managerial information supply and administrative organisation are clear, it is time to check what ICT support is necessary. In the case of the Chamber of Commerce, it would be best if no additional systems were needed whatsoever. For the Tax Administration a far-reaching standardisation, normalisation and harmonisation of the data and process system lead to a reduction of the complexity in the ICT systems.

3. Advantages, observations and learning moments

It has turned out to be possible to reverse the reporting chain. With the Dutch taxonomy and the process infrastructure, the preconditions for optimisation of the external reporting chain have been realised and actors in the reporting chain are now able to carry out the necessary modifications to products and processes.
The broad scale use of open semantic standards has advantages for both businesses and governments and other regulators. However, the SBR concept at first appears difficult to fathom. Putting the concept into practice, as NTP did for the domain of taxation and annual reports, it becomes clear the potential reaches further. A number of administrative subjects also are affected. As in any modernising project dealing with many aspects and stakeholders, there are progressive insight and learning moments.

Advantages

As the actual situation differs per stakeholder, different (economic) advantages are possible. For businesses the main advantages are:

- easier and faster compilation of reports;
- better integration in business processes;
- more efficient use of data (reuse, store once - comply to many);
- better and cheaper exchange of data;
- one coherent data model for multiple regulatory reporting;
- one process model for exchange of reports ;
- multiple regulatory monitoring;
- multilingual options (data can be represented in multiple languages).

In general, easier and faster compiling and exchange of reports becomes possible when a coherent and mutually used data model is available. Use of well designed standards allows for better integration within the existing business processes and thus making reporting more efficient and enhancing transparency and comparability of data. This has a positive effect on compliance.

The advantages for businesses also apply to government agencies, being 'the other end' of the reporting chain. More specific the main advantages for governments and regulators are:

- better and interoperable internal data models;
- better quality of information, less recovery contacts necessary;
- faster and more efficient processing;
- less contact with separate software suppliers;
- possibilities for process integration (re-use of data);
- introduction of digital reporting (if not yet available);
- one coherent data model for multiple regulatory reporting;
- information about potential harmonisation of legislation.

The use of standards improves the quality of reports and the efficiency of business processes. It makes multiple regulatory reporting possible, auditing more easy and thus enhances the feasibility of the underlying regulations.

Observations

There is an authoritative Dutch taxonomy and this is professionally administered. More and more software suppliers have built the XBRL specifications into their software and are enabling their clients – *businesses, intermediaries and government agencies* – to produce, control and process reporting information in an automated process with the aid of the Dutch Taxonomy. The necessary preconditions for the optimisation of the external reporting chain have been realised. But the chain is only starting to move slowly and shows a tendency to fall back into the 'old', existing situation. There are a number of reasons for this, as will become apparent from the following observations.

— ***What is in it for me?***

In order to profit from optimised processes in the external reporting chain, businesses have to make an effort. These efforts relate mainly to the making of changes in the administrative organisation and internal controls of the administration and supporting systems. Businesses still regard these efforts, not as investments, but as extra costs. For the businesses, there is no certainty as to what the returns will be on the investments and how long the earn-back time is. This attitude is explainable by the fact that the average entrepreneur has limited affinity with external reporting.

The entrepreneur buys off the risk of -from various perspectives- inaccurate reporting of and about business economics by calling in a financial and/or fiscal intermediary. The result is the entrepreneur distances himself from the external reporting process, finds it difficult to recognise optimisation measures in this process, and sees associated costs as an insurance premium and takes it for granted.

In order to keep any kind of grip on the amount of the 'insurance premium', more and more businesses agree a fixed sum for intermediary services. In this way, a package of services is created, for example compiling annual reports, filing of corporation tax returns, filing payroll tax and VAT forms and the provision of information for banks. All other activities, such as guidance of a tax audit or compiling of interim figures, are charged extra on an hourly basis. The package of services must be complete. That means that the scope and range of the service package is sufficient for the required external reporting.

For the intermediary, reporting on behalf of businesses forms the primary process of operational management. The turnover is in direct proportion to the number of hours spent. Efficiency measurements in the primary process will not necessarily deliver a more cost-effective practice.

This depends on the question of the extent to which the inefficient hours are not cost-effective. If an intermediary has made a fixed price agreement with his client for a service package, then efficiency measures will certainly lead to better returns. In other words: if the efficiency measures are not implemented, the continuity of the business activities of the intermediary may be at risk.

The optimisation of the external reporting chain will only be successful if the business economic principles 'value for money' and 'what is in it for me?' are realised. For an entrepreneur, this means that he (must be alerted that he) would have to agree a fixed price for a complete package of services with his intermediary. In line with many other products and services, it would help to make service packages transparent. This not only makes it possible for the entrepreneur to gain an insight into the provided service delivered by the intermediary, but also stimulates the market game: the entrepreneur can make a (price) comparison with other competitive parties who offer these services as well.

— Organisational issues

The consequences of chain reversal, the central position of the business' administration, the use and constant further harmonisation and normalisation of data and process taxonomies and the use of open standards are organisational problems and have only a secondary impact for the implementation of ICT resources. If this is regarded as an ICT problem – *and that is the observation* – then suboptimal solutions are offered, or ICT stands in the way of a more effective and efficient chain of external reporting.

In the existing situation, businesses and intermediaries tend always to use a single ICT solution for a specific external reporting purpose. Most book-keeping systems are able to produce a VAT return, while for the annual reports, the (consolidated) balance is read into a report generator and any adjusting entries are made, for the corporation tax return the (consolidated) balance is again used, adjustments are made to determine the taxable profits and tax amount and, for the statistical returns, often not-integrated information is processed. So there is a plurality of ICT systems which, one way or another, take the balance sheet as the starting point for the compilation of external reporting. There is no semantic connection between terms, contexts and reporting obligations because each system uses its own definitions.

By placing the administration of the business at the centre and using a taxonomy with the related reports therein, the need to use a plurality of systems is reduced. It must be possible to obtain, from the book-keeping system that supports the administration, not only corporate business information, but also annual reports, VAT returns, corporation tax returns and banking information for financial institutions. Ultimately it will also be possible to obtain payroll information from the book-keeping system.

In order to realise the advantages of using taxonomies, the business must hone its administrative organisation and internal audit measures in such a way that the financial administration actually becomes the central system for operational management and that the book-keeping system is linked to it. In this way, by using the taxonomy, it becomes possible to compile annual reports, VAT returns, corporation tax returns and other external reports directly from the administration. The result is that the need for a whole range of ICT systems is reduced and interoperability between ICT systems is increased. In other words, as the result of using the Dutch taxonomy, the entrepreneur can migrate easily from one ICT to the next.

The role of the intermediary will change. Service provision to small businesses (97% of all businesses are small) will be further 'fiscalised' with the coming of the Dutch taxonomy. There are intermediaries who have dismantled their compilation practice and have substituted the fiscal practice. The changes in the (accounting) business processes are followed by the ICT systems which will and must be able to keep up with the rate of change.

Governance information and administrative organisation in the government agencies will alter radically as the result of the use of the Dutch taxonomy. This is obvious because the external

reporting chain being reversed, there has to be intensive co-operation between government bodies.

agencies and the issue of determining the reliability of reporting information can be organised differently.

This is fairly significant because until now, each government agency has been acting according to its own purposes. The fact that these vary greatly from each other is apparent from the huge differences in both the data which must be reported and the way in which reports are exchanged and the handling of the reporting processes. This difference exists not only between the diverse government agencies, but also between departments within agencies. There is no supervision on cohesion and especially co-operation, which are important conditions to let the interests of the entrepreneur prevail above their own interests.

— Is there a political and corporate need?

An agency-oriented reporting chain did not evolve from politics, but nor did politics prevent it from coming about. There was (and is) (too) little attention paid in the legislative process to the voluminous administrative burdens and ever-increasing regulatory pressure on businesses. Also, the cohesion between the various laws and rules in the field of external reporting is not recognised, still less alone is the administration of the entrepreneur placed at the centre. Again and again, the wheel is being reinvented in various variants. At government level it is difficult to organise a coherent view because different ministries are responsible for different external reporting. So the Ministry of Justice is responsible for annual accounting law, the Ministry of Finances for fiscal legislation, the Ministry of Economic Affairs controls the Chamber of Commerce and the Central Bureau of Statistics at a distance and the Ministry of Economic Affairs is responsible for the distribution of subsidies. There is no common direction whatsoever at government level.

The question arises whether direction is in fact desirable. Ambiguous interpretation of the law is restricted. Coherence in legislation is self-evident and the consequences, for example for businesses, can be estimated or established. The policy conducted by politicians is rationalised. The exercise of control means that policy areas are interrelated and this limits the degrees of freedom for politicians and government.

If politicians and government do not conduct an active legislative quality policy, then the present legislative process has not a single stimulus to harmonise rules with other rules. Changing rules from Brussels or changing insights into income policy are often the occasion for starting new legislative processes. It rarely happens that a legislative process is started with the aim of improving the quality of the law enforcement and supervisory functions. The instruments available in the present legislative process are insufficient to recognise mutual links in the field of terms, contexts and reporting obligations, as well as process handling or, rather, to extract them. Policy advisors and legislative jurists are given too much leeway to prepare laws according to their own – *limited* – insights.

— Ultimately it comes down to moderating the chain

The observations show that for actors in the external reporting chain, there are many reasons not ‘to profit’ from far-reaching standardisation of data and process taxonomies. One entrepreneur recognises the advantages more quickly than another and will ask his intermediary how he can capitalise on the advantages. This also applies for the intermediaries. One intermediary wants his turnover to grow and is looking for an attractive offer for potential clients. The other intermediary is conservative and waits until he is forced to innovate. There are also intermediaries who only play a (small) role in certain reporting chains and are therefore less likely to migrate quickly. For the software suppliers, it is hard to say what they can and must do. Some software solutions come to the end of their economic life more rapidly, while others are given new chances. The government agencies will have to think more and more about data- and process optimisation. Proposals for the integration of services will not take long to arrive.

Whichever position the actors in the chain adopt, there will have to be a transition. Old shoes are not thrown away until the new shoes have been tried and tested. So it is also to be expected that

old and new situations will co-exist for a certain period. The speed at which changes take place is determined by the degree to which the change process is moderated.

Moderation means the braking or appropriate acceleration of changes. This implies the existing balance is disturbed with the aim of finding a better balance in a *more effective and more efficient chain*. To achieve this, the necessary pre-conditions for a better chain must be present and be guaranteed for a specific time. In doing so, consideration must be given to the data and process taxonomies related to the law and also the ability to operationalise the taxonomies. Furthermore, a complete set of services must be possible. This means that not only some of the reporting chain can be facilitated, but a sufficient part of the chain to create the added value.

This moderation also relates to the mobilisation of communal efforts on behalf of general objectives. An example of this is the broadening of the application of taxonomies in other domains. This relates to activities which do not interfere with competitive relationships.

This moderation also relates to discreet yet transparent support for initiatives which give impetus to change in the chain. Examples of this are the stimulation of the *early adopters,* and the bringing together of businesses, intermediaries and/or software suppliers who are involved in realising the advantages of chain optimisation. The key to this moderation is that the actor in the chain must be able to trust that information will only be circulated if the actor has given such consent.

— Conclusion of the observations

The status quo, the objective and the effects of chain and process optimisation can be organised. That is excellent. It is also doubtless possible to realise the necessary pre-conditions for optimisation. Whether optimisation will also actually lead to the intended results depends on the question how far the balance in the current situation can be disturbed and how far all actors in the chain find sufficient added value to migrate to the targeted situation. The observations described above show that the race is far from over.

A number of conclusions:

- The necessary pre-conditions must remain in existence for a specific time in order to justify the investments of the actors.
- The actors must be able to realise a complete service provision. Complete means feedback loops must be able to be closed and preventing actors to be bothered with extra channels.
- The investments made and costs incurred must be offset by the revenues and benefits anticipated in the near future.

Learning moments

Like any modernising project, the SBR Programme (and NTP before) also involves progressive insights and learning moments. This has been anticipated in the approach by the timely adjustment of the approach, the planning and the products. While the original objective was to develop a Dutch Taxonomy, as the result of progressive insight this has expanded with the introduction of the process orchestration and the realisation of ICT resources (the infrastructural service and some adjoining services such as a validation service).

One of the most important lessons is the insight that central direction by one party, as the NTP was and the SBR Programme is now, is required in order to bring about the changes in the complex financial reporting chains. Each actor in a chain has in years past followed an optimisation policy in his own interests. Seen over the whole domain, this has led, as far as the businesses concerned, to a deep-rooted suboptimum. By placing control over the chain in the

hands of a relatively 'independent' party as the SBR Programme, it has been possible to move out of the stalemate which had arisen and towards an integral optimum.

Since the SBR concept makes it possible for chain partners to get rid of surplus air in the chain, a dynamic has been created which is not always appreciated by all stakeholders. Especially for actors with low changing assets, the course of events may appear threatening. But most chain partners from the financial domain are slowly becoming convinced that the developments which have been started are irreversible. This also emerges in the update on the progress of NTP/XBRL in 2007 by Secretary of State De Jager from the Ministry of Finance. He is convinced it is only a matter of time before businesses see the advantages of using XBRL and SBR. "It's just that it's going at a slightly lower rate than was originally assumed". On the use of XBRL as standard, he says the following: "Even the greatest sceptics from the profession are saying that XBRL will become the standard and that the development of the Dutch Taxonomy is of great importance for innovation in the accountancy and software sector. The Dutch model is also being copied in other countries. In order to actually put into effect the lightening of burdens, however, the step will have to be taken of making use of the options in the software package. I want to emphasise this is not a reduction of administrative burden of which businesses automatically will benefit, as would be the case if an obligation were to be abolished. The responsibility lies within the businesses themselves. In order to take this step together, the stakeholders must talk to each other. A large group of businesses is, however, continuing to adopt a wait-and-see attitude and for various reasons is not yet taking this step."[10] From this perspective, it is apparent that there is still a need for the moderating role of the SBR Programme in order to speed things up. Experience gained in the mutual differences between chain partners at organisational level, in knowledge and skill, availability of financial resources and the influence of their relations, are always useful here. The approach has been shaped (standardised) in such a way that it is organisationally and technically possible for an actor to join any time he likes.

The arrangement of the functions, responsibilities and powers of the actors turns out to be an essential part of the process descriptions of the exchange and management processes. The SBR Programme has gradually and continuously learnt how to deal with the inter-organisational fulfilment of functions, responsibilities and powers of actors in the financial accountability chains.

It has once more become clear that changes in chains is an interaction of processes and data and that the ICT resources play a subservient (and thus not a leading) role. An advanced technical solution which does not meet the requirements imposed by the process and the data all too quickly has a damping effect. This view is also confirmed in diverse publications.[11] The Process infrastructure, as this is realised on the basis of 'the Programme of Requirements of the generic infrastructure' is supporting the reporting processes and provides the flexibility which is necessary to capture the diversity within the reporting processes.

The use of open standards, but contextualising and clearly expressing the use thereof properly in advance, encourages the adoption of the innovations. Full use is made of open standards both to describe the processes and to establish the data model and the infrastructural service. Use of standards on diverse levels has proven its benefit:

- It has emerged that by using standards for process modelling a far-reaching automated execution of the processes can be realised. This promotes both the flexibility and the reliability of the processes to be executed. Due to the link between the descriptive

[10] In 2008 this situation has scarcely improved.

[11] One of the recent publications is an article in Computable (11 January 2008) in which IDS Beheer, a big player in the field of business process management, relates from experience that many implementations to do with SOA fail because they are aimed at ICT objectives instead of business objectives. There has also been a report published recently by the government in which it is confirmed 'Lessons from ICT projects in government', dated 29 November 2007.

standard (BPMN) and the execution standard (BPEL) an optimal link with the use of ICT resource is achieved.

- The use of an open standard for the reports and the data (XBRL) has led to a data model, the Dutch XBRL taxonomy, in which both the reports, the data and their mutual relations

  are established unequivocally. As a result, one and the same picture is produced for all actors.

- In addition to the use of the standard for the execution of processes as already mentioned above, the ICT resources are based on web standards. For both the software suppliers and the processing agencies, the requesting parties, these are often not new techniques. Furthermore there are off-the-shelf products available which can be used and it has become more a question of organisation than of development.

The effort to move towards a single data model within the financial reporting chains has resulted in a clearly perceptible decrease in the amount of data as this is used within the reporting systems. This is because (some of) the data is undoubled by normalisation. Another advantage of the application of a data model is that all information *about* the data must be defined and set as metadata, data about data. By this explicit capture, the information is defined in an unequivocal manner, transparent to all, and differences of interpretation can be avoided.

By making use of generic ICT resources, in casu the Process infrastructure, an unequivocal method is created, one 'interface', for the exchange of information with the government. The result of this is that not only can the exchange processes operate in a transparent fashion, but that the (ICT) efforts on the part of the software suppliers are limited.

During the execution of the SBR Programme it emerged that some simplifications in the execution and / or supervision are only possible if the legislation is adapted. Leading professionals, in the Harmonisation sub-project, explored how far it is possible for small and economically inactive legal entities produce their annual accounts and documents for publication on the basis of fiscal principles.[12] They came to the conclusion that with a modest adjustment in BW2 (Civil Code) this can be made possible. This resulted in an annual account for tax purposes for small legal entities and in 2008 a shorter corporation tax return for small legal entities became available.

Also, right from the start, the emphasis has been placed on intensive co-operation between market parties and government. This is a very important pre-condition for success. The agreements between market parties and government are set down in a covenant in which the government pronounces in favour of guaranteeing the maintenance and control of the taxonomy and process infrastructure. Market parties, especially intermediaries and software suppliers, promise that they will use the taxonomy and the process infrastructure and will wherever possible pass on any efficiency benefits to their clients, the businesses. In this respect it has emerged that, in order to stimulate businesses and intermediaries to work with open standards, all the chain partners must be able to find sufficient added value in the chain of accountability information.

The position of the SBR Programme has played an important role in the co-operation between the chain partners. SBR Programme, being a interdepartmental government initiative, really is unrelated to the 'established order' within government and, as a result, from departmental interests. This has had a positive effect on the co-operation between governments and the market: parties have spontaneously signed up to participate; with voluntary participation, there is often also greater support. The contribution of the customers and administrative managers to this has also had a positive effect with respect to the market parties. The active contribution by government managers was an important signal for market parties that government is making an active contribution to the realisation of the complete service provision.

[12] Reports from the project Harmonisation: 1 March 2006, 25 April 2006 and 11 December 2006.

On the other hand, it has also emerged that, although the government managers view the SBR approach positively, implementing agencies or departments have the usual resistance to implementing the changes. The interest of their own organisation at that level is seen as more important than the interest of the business. The chain reversal has thus not yet been well received everywhere.

One very well-known phenomenon of projects is that complex projects must not be carried out as one large, unwieldy, monolithic project, but split into neatly manageable and executable parts. Moreover, a phased approach is necessary: in the case of complex projects with multiple interests, the ultimate goal can only be achieved by advancing step by step towards the ultimate goal. This also came to light in the SBR Programme. There are diverse parallel paths being taken and no effort is being made to reach the ultimate goal in one go. That is also the status of the SBR Programme now: processes are being established, there is a data model and there are ICT resources to support the processes. But this is not yet the ultimate goal: a complete service provision within the financial reporting chains as the result of which the administrative burden and also the regulatory pressure will be reduced as far as possible for businesses. If SBR had wanted to achieve this in one huge step, however, it would never have worked. The learning process of both market and government participants could never have taken place and diverse chain partners would have pulled out. And without the involvement of these chain partners, the new reporting with full service can never be realised.

A number of lessons can also be seen in the organisation of the project. The SBR Programme consists of a small, multidisciplinary core team. By linking to each other quickly and briefly, it has proved to be possible to intervene in a highly dynamic fashion in changes, progressive insight and bottlenecks. For those who are not involved, this has perhaps given the impression of too dynamic a project that could not always be understood and/or followed. It has become clear that communication with those directly and indirectly involved is very important and in the coming years a great deal of attention will be devoted to this.

The whole organisational structure is, in comparison with other projects of this size, reasonably 'flat' and the relationship with customers is close. This too has proven its advantage. Decisions can be taken quickly and there is great involvement of customers and chain partners.

SBR Programme 2009 - 2012

It has turned out the interest in standards such as XBRL and BPMN and the SBR approach has increased more rapidly than initially thought. The results of NTP before and developments at home and abroad[13] with respect to Standard Business Reporting (SBR) and XBRL have increased the interest in a transparent and clear exchange of financial reporting information between public and private organisations. SBR is regarded by both public and private actors as a strong concept for the reduction of existing complexity, ineffectiveness, inefficiency and administrative costs in the reporting chains.

In the plan of action forming part of the 'Plan to reduce the regulatory pressure on businesses'[14] the following is said about this: "the complexity of (compliance with) reporting obligations can be considerably reduced by the use of standards for the modelling of data and processes, so that a clear interpretation of legislation is realised for both the systems/software used by the business community, and the systems which are used at the government end (one common language) and the processes are dealt with via a generic process infrastructure."

[13] The SEC decided on 14 May 2008 that stock exchange-listed companies in the US will be obliged from 2011 to use XBRL. Australia and New Zealand have made their own NTP with objectives matching those in the Netherlands.

[14] Ministry of Economic Affairs (2007), Policy Note 'Plan to reduce regulatory pressure on businesses', dated 16 November 2008.

In the plan to reduce regulatory pressure of VNO-NCW and MKB Nederland, the deployment of ICT based on open sources and standardisation are seen as important resources to limit the regulatory pressure from existing legislation.[15] The developed SBR approach endorses this.

The Adviescollege toetsing administratieve lasten (ACTAL), the Dutch Advisory Board on Administrative Burdens, is convinced the use of the Dutch taxonomy by businesses themselves, in

common with the communication between businesses and government, can lead to massive reduction of administrative burdens for the business community. In its advisory letter to the Minister of Justice, Hirsch Ballin, ACTAL writes that major steps are being made in the progress of SBR. For a large-scale reduction of burdens, a broader implementation of the Dutch Taxonomy, however, is necessary.

In the Programme for Government Renewal [16] the following can be read: 'Reduction of regulatory pressure especially for businesses and a more efficient and more effective execution on the part of government go hand in hand in the application of the concept of standardisation of data and process models with the aid of open standards.' In this context SBR is classed as part of the Programme for Government Renewal.

With NTP, the foundation has been laid for Standard Business Reporting: the standardised formulation, control and exchange of reporting information with and within the Dutch government. Due to the interest in the approach and results the business case of SBR has moved from 'let's wait and see', to 'sign me up'. This development indicates a significant broadening of the scope. From 2009 NTP will continue as SBR programme. The core of NTP—the standardisation of the administrative reporting information and the reporting process—remains. The accent will now be placed more on the creation for parties of the pre-conditions for the self-realisation of a complete service provision in financial reports.

Where this can lead to was put into words by Mr. Bekker, Secretary-General Renewal State Services, in May 2008 at the Dutch Taxonomy Event in his presentation.[17] He foresees an optimisation of government functions as the result of the use of data and process taxonomies. So the filing of annual reports can be done by market parties, AuSP services can be left to the market, the granting of subsidies can be streamlined and the pre-conditions for horizontal supervision are created. The Dutch taxonomy is also highly suitable for application within the government itself. The numerous different reporting standards and exchange processes can be 'tidied up' and reduced to a common denominator. This makes government better and sharper.

The objectives and actions of the SBR programme NL

The activities of the SBR programme are aimed at perpetuating and deepening the original NTP (=SBR) approach and results. In addition, activities such as the management of the Dutch taxonomy should be brought within existing organisations and attention must be paid to innovation.

Continuation: Continuation focuses on the application of SBR within the present reporting domains of the Chamber of Commerce, the Tax Administration and Central Bureau of Statistics. This includes the following activities:

- Intensification of the involvement of participants in the newly-established reporting chain, in a way the actual application grows to such a scale that the estimated reduction of

[15] Letter from VNO NCW and MKB Nederland, dated 2 June 2008 'Reducing regulatory pressure'.
[16] Government Service Renewal Programme (2007), Policy Note 'Government Service Renewal Note' Kamerstukken II 2007/08, 31 201 no. 3 (reprint), par. 4.1.

[17] See 'The value of Standard Business Reporting for the government', 7 May 2008, http://www.sbrconference.nl/subpages/presentaties.php.

administrative burden is reached within the term of SBR and is also guaranteed thereafter. The existing platform must be expanded to a critical mass of users. This

demands effort, not only on the part of market parties, but government must also demonstrate convincingly that that all pre-conditions are and will remain in place in order to realise this.[18] The SBR programme continues to moderate both government and

market parties in the reporting chain in order to achieve this. The covenant hereby forms an important instrument.

- Optimisation of the Dutch taxonomy and the associated process models for the reporting chains realised with the CBS, the Chamber of Commerce and the Tax Administration.

Deepening: The deepening process focuses on the further development of the options within the existing domains:

- The covenant parties have already made it known that they have a great interest in the mobilisation of other (reporting) processes within the current domains. Other possible scenarios are processes relating to the delivery of estimated information, electronic copies of assessments, pre-completed returns and tests of benefit eligibility.

- Making proposals for further harmonisation of the legislation. One good example of this is the 'Convergence' law, which makes it possible for small legal entities to compile an annual report for both tax purposes and filing to the Chamber of Commerce. Other subjects which are candidates for harmonisation include the equalisation of the limited corporation tax return for small legal entities with the income tax returns for business owners (not liable to corporation taxes).

Broadening: The broadening of SBR is focused on other reporting domains of financial reporting. By broadening, SBR delivers a substantial contribution to the creation of one data model, one process model and generally applicable services for the financial reporting chains. Broadening includes, inter alia, the following activities:

- SBR-projects for (government) parties which have announced their desire to join. SBR Programme has already participated in the initiatives already underway to carry out the actions of the Programme for Government Renewal in the field of simplification of subsidy granting. Projects are being or have been started with ministries in the field of the simplification of reporting regulations in healthcare and education domains. There are also contacts with the Ministry of Finances concerning the possibility of optimising the financial economy of the state.

- There have been talks with the Ministries of Economic Affairs [EZ] and Ministry of Interior and Kingdom Relations [BZK] on the extension of the domain of application of the AuSP service. The scope and range of the service is being worked out in more detail in close co-operation with the covenant parties and providers of AuSP services.

Structural investment: In structural investment, products and project organisation are incorporated in the line and regular organisations. This includes, inter alia, the following activities; [19]

[18] The pre-conditions relate to the maintenance of the NT, the process model, services (validation and AuSP) and the associated infrastructural service. The pre-conditions also relate to the mobilisation of, for example: intermediaries (accountants, tax specialists and / or book-keepers) and software suppliers of financial and fiscal software, who must enable the businessman, by using NT, to compile and to control reporting information and also to exchange it with the implementing agencies.

[19] In this cluster the activities are executed in close co-operation with the Legis programme.

- The establishment of a managerial structure for the management of the data and process models which guarantees authority.[20] The Tax Administration and CBS are responsible

  for the management of the fiscal and statistical domains respectively. They have ways to make the transition from legislation to reports in their own organisation. For the annual reports part, this is more complex. This expertise is not sufficiently available within the Ministry of Justice and the Chamber of Commerce, and furthermore a substantial part of the Dutch taxonomy is international in origin (IFRS, International Financial Reporting

  Standards). This is why close co-operation with the Raad voor de Jaarverslaggeving (RJ, Council for Annual Reporting) and the International Accounting Standards Board (IASB) is necessary.

- For the structural incorporation of the management of data- and process models, it is necessary for the project organisation to be transformed into an organisation in the 'line', so that the management and the deepening and broadening of the use is adequately embedded and the desired standardisation policy in the field of financial accountability, both inside and outside government, can be realised.

- Good management of the taxonomy and the process model demands firm control from the legislative chain. The statutory principle of the elements must be monitored in order to ensure a legitimate execution. In the structural investment of the management attention to the managerial-legal side is of great importance.

- For a reliable exchange of accountability reporting, an authorisation service has been realised by the SBR Programme and market parties. This authorisation service will have to be expanded in the coming years, in synchronisation with the increasing use of SBR, in order to guarantee sufficiently reliable use at minimal cost. The organisation and the associated processes must be established in order to provide this.

Innovation: Innovation focuses on the design and development of generic products[21] which are needed for a large-scale use of SBR in multiple domains. This includes the following activities:

- Design and development in the area of processes, data and technology and managerial approach. From this programme-activity, on the basis of design questions from other activities and projects, functional specifications are drafted and guidance given in the development of products. The steering of public and private development organisations is an important role.

- Assure the establishment of the knowledge and experience built up, so that they can be reused and shared. This involves not only technical and intrinsic knowledge relating to the application of taxonomies and data and process standards, but also knowledge and experience relating to the (managerial) process followed by the NTP/SBR.

Planning: The SBR programme will continue along the path in order to achieve the required reduction of administrative burden for businesses. In intensive co-operation between market and government the SBR Programme will work from intensifying the use of current SBR reports towards an structural embedding of the concept and the results.

[20] The taxonomies are authoritative because the responsible government parties have defined the elements in the taxonomy and the relations between them on the basis of the applicable legislation. The user of the taxonomy may rest assured that the taxonomy contains a dataset which is correct and complete according to the latest legislation. The same applies for the process models, as these are also defined by the responsible government parties.

[21] Goods and services.

- **January 2009 - June 2009:** Migration of NTP into SBR Programme and intensive stimulation of participation and use of current reporting domains (annual reports, tax returns and statistic reports).

- **July 2009 - June 2010:** Major and massive use current reporting domains and elaboration of the other programme activities.

- **July 2010 - June 2011:** Furthermore intensification and deepening. Governmental embedding of structural management of taxonomies.

- **June 2011 - December 2012:** The accent is on deepening and embedding of the concept and the original goals are achieved. From July 2012 the remaining SBR activities will be transferred into structural government organisation.

Updates on current SBR projects- Belgium

XBRL at the Federal Public Service Finance

Introduction

As a founding member of the non-profit association 'XBRL Belgium' since November 2004, the FPS Finance has been closely involved in the adoption of XBRL in Belgium since then. From the start, 2 workgroups have been active, within XBRL Belgium, developing and coordinating the efforts related to the 'base taxonomies' for Standard Financial Reporting in Belgium.
One workgroup has been focusing on the end-of-year reporting of the balance sheet (Belgian Financial Reporting Taxonomy) while a second workgroup has been focusing on the exchange of so called 'permanent company information' (Taxonomy Corporate Permanent Data).
Both taxonomies are considered core building blocks for the structured exchange of (financial) data between companies and government agencies. Other building blocks will be developed to deliver additional, specific, taxonomies. The first example is the National Institute for Statistics who added a building block for the collection of corporate statistics.

The XBRL project at the FPS Finance

In 2007, the FPS Finance launched a project to develop the 'Corporate Tax Return' building block, addressing the additional taxonomy related to the tax processing for companies. The objectives for the project were:

- To reduce the administrative burden related to the yearly declaration and reporting obligations,
- To assure the flexibility of the yearly tax processing cycle,
- To improve the information exchange between government agencies (and in particular between the FPS Finance, the National Bank of Belgium, The National Social Security Office and the FPS Economy)

In addition the project aims at building the in-house expertise for consecutive development of other specific taxonomies, e.g. related to the Savings Directive or to the exchange of information with the financial sector.

The project approach

The architecture approach is based on the Belgian building blocks method. This method focuses on common building blocks exploited by the specific entry points. A 'clear collaboration between regulators', all 'starting from an operational application' and focused on 'sharing and extending the common modules' are the drivers behind the concept.

The reuse of existing building blocks facilitates the development substantially: nearly 60% of all data-elements and validation rules related to the taxation processing are common with the other building blocks. The remaining data-elements and validation rules are specific to the 'Corporate Tax Return' building block.

The development of the taxonomy involved a multi-disciplinary project group covering both architectural & design specialists as well as content specialists. The development occurred in weekly iterations with an explicit versioning control during the entire development phase.

As the involvement of all (key) stakeholders has been appreciated to be a critical success factor, a structured consultation with the Federation of tax professionals, Software vendors and other subject matter experts is part of the development and implementing phase.

The first version of the taxonomy was available for testing by the end of August. In the testing process external parties have been extensively involved, including the National Bank of Belgium, to assure optimal quality and coherence. Also the other key stakeholders, including both the professional federations of accountants and representative software vendors, shall be invited for evaluating the taxonomy. This involvement contributes to the broad upfront acceptance of the taxonomy.

The project delivered both the taxonomy architecture, the design and style principles. The version related to the income FY2008 is available for production.

Benefits of XBRL for the taxation process

The use of XBRL within the yearly tax processing cycle has benefits for all involved.

The administrative burden for companies and/or their accounting professionals is strongly reduced and the new electronic declaration forms are more ergonomic and easy to use. The involvement of the software vendors will allow for the adoption of the new structure within the standard reporting facilities of the accounting software.

For the FPS Finance, the adoption of XBRL in the taxation process results in an environment easier to maintain and to refine in relation to the adjustments of the tax law. It also allows for an automatic processing of the data and facilitates the 'integrated processing', a key objective among all activities of the FPS Finance.

The information exchange with the other government agencies shall become more efficient and effective.

Next Steps

The availability of the version FY 2008 is not the end point but yet the start of a yearly cycle allowing for updating the taxonomy taking in account the adjustments of the tax-law.
The development of the taxonomy in relation to the Savings Directive and the development of a taxonomy focused on exchanging information with the financial sector are following projects.

Updates on current SBR projects— New Zealand

The New Zealand Standard Business Reporting Program

The Standard Business Reporting (SBR) Program is currently in the initial planning stages with the SBR Programme Office focused on finalising the Interim Stage 2 Business Case - requested by the New Zealand Government in May 2008. New Zealand is initially focusing on the Financial Reporting Cluster and is proposing a phased approach to SBR over a two year period ending in 2012.

In its preparation of the business case the SBR Programme Office is undertaking in-depth analysis of the benefits and costs of SBR for New Zealand businesses and we are putting forward a number of options for consideration with a recommendation for one preferred option.

Once it is finalised the business case will be submitted to Cabinet, the New Zealand Government's decision-making body, in early 2009 for their approval. If approval is obtained, the option selected will proceed to detailed design with the SBR Programme Office working towards full implementation by 2012.

While the Business Case is being finalised the other SBR work-streams (Design and Build and Data Standardisation and Taxonomy Creation) are continuing their work to ensure that critical milestones are achieved.

The Design and Build work-stream, tasked with the development of the SBR service delivery platform and the business portal, has created a conceptual design of the platform that is scaleable for future clusters. It is currently defining business requirements and reviewing each government agency's enterprise architecture framework and their expected output under SBR.

The Data Standardisation work-stream is working towards building a single set of standard data definitions across the four participating government agencies, which will be delivered in progressively maturing version releases. Their current focus is on classifying all 8,000 data elements contained in the 97 financial forms that SBR will replace.

Annex 2

Useful references for Standard Business Reporting

Articles

Dutch project site (in English)
http://www.xbrl-ntp.nl/english

Australian project site
http://www.sbr.gov.au/content/default.htm

Official XBRL.org web site
http://www.xbrl.org/Home/

XBRL-US site
http://www.xbrl.us/Pages/default.aspx

SEC site
http://www.sec.gov./spotlight/xbrl.shtml and http://www.sec.gov/spotlight/idea.shtml

FDIC benefits
http://www.xbrl.us/events/Documents/FDIC%20Case%20Study%20-%20XBRL%20US%204-16-08.pdf and

http://www.xbrl.org/us/us/FFIEC%20White%20Paper%2002Feb2006.pdf

Hitachi blog site
http://www.hitachidatainteractive.com/

Chartered Financial Analysts Institute site
http://www.cfainstitue.org/centre/topics/reporting/xbrl/index.html

Accounting firms XBRL web sites:
www.kpmg.com/xbrl
www.pwcglobal.com/xbrl
www.ey.com/xbrl
www.gt.com/xbrl

Conference presentations

"An overview of SBR"; Paul Madden, SBR Project Director, Australian Treasury
http://tinyurl.com/61yqcv

"The Dutch NTP Project"; Harm Jan van Burg, NTP Project Director, Dutch Ministry of Finance
http://tinyurl.com/6cvlxr

"The New Zealand SBR initiative"; Jim Scully, NZ Inland Revenue Department
http://tinyurl.com/56v4vk

"UK Companies House eFiling Project"; Gareth Jones, CEO, Companies House
http://tinyurl.com/6l35hd

"XBRL – What it is and Why it's Important"; John Turner, CEO CoreFiling Limited and Chairman XBRL International Standards Board
http://tinyurl.com/63wor5

"A corporate approach to XBRL"; Heinz Hense, Thijssen-Krupp; http://tinyurl.com/6efvkb