

OPTIONS PAPER: USE OF STANDARD BUSINESS REPORTING (SBR) FOR FINANCIAL REPORTS

Australian Government

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OPTIONS PAPER

REQUEST FOR FEEDBACK AND COMMENTS

Your feedback and comments on the proposals outlined in this paper are sought, particularly any information about compliance costs, unintended consequences, and any other impacts, costs, and benefits.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please email responses in a Word or RTF format. An additional PDF version may also be submitted.

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Closing date for submissions: Friday 15 March 2013

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FOREWORD



We are pleased to release this paper canvassing options on the use of Standard Business Reporting (SBR) for the lodgement of financial reports.

SBR is a key initiative of the Australian Government and was delivered as part of the Council of Australian Governments' (COAG) National Partnership to Deliver a Seamless National Economy.

SBR simplifies the business-to-government reporting process by providing standardised electronic reporting. It is based on the idea that information will be '*recorded once, reported to many*' to enhance business efficiency. SBR works as a by-product of day-to-day business systems, allowing businesses to report through a single online channel to government directly from these systems. SBR offers an easier and more convenient way for businesses to report to government, saving time, minimising compliance costs and providing greater certainty.

The Government is committed to SBR as the primary channel for business reporting to Government. In September 2011, SBR was announced as the standard platform to be used for superannuation industry transactions as part of the Government's Stronger Super Reforms. SBR standards are being mandated across all member contribution and roll-over superannuation transactions and relevant reporting to government under the framework of the *Superannuation Legislation Amendment (Stronger Super) Act 2012*. The Australian Taxation Office is also adopting SBR technology to rationalise its online reporting channels by 2015-16.

In its April 2012 research report, *Impacts of COAG Reforms*, the Productivity Commission (PC) concluded that the potential benefits to Australian businesses through greater use of SBR by participating agencies are around \$500 million annually. Businesses have been realising SBR's benefits in sharply increasing numbers this year, as more and more SBR-enabled software for tax-related reporting has become available in the market.

The Government continues to seek ways to reduce the regulatory regime experienced by business. This message was reinforced at the beginning of this year at COAG's Business Advisory Forum (BAF), where there was clear consensus from business and government about the need to reduce the regulatory burden on Australian businesses.

COAG and the BAF have given priority to addressing the 'Red Tape Challenge' and BAF's Taskforce has been asked to report back on the ways in which the increased use of online reporting can benefit business. We expect that this work will identify opportunities for the expansion of SBR into other areas of business-to-government reporting. This will enhance SBR's value to business through its unique '*recorded once, reported to many*' capability.

This paper examines the use of SBR for the lodgement of financial reports, including whether the use of SBR should be mandatory, to support business efficiency and to enhance the transparency of financial reports.

We invite you to submit your views on the issues raised in the paper.

The Hon David Bradbury MP
Assistant Treasurer

The Hon Bernie Ripoll MP
Parliamentary Secretary to the Treasurer

EXECUTIVE SUMMARY

The purpose of this Options Paper is to consult with stakeholders about the use of Standard Business Reporting (SBR) for the lodgement of financial reports, including whether the use of SBR should be mandatory.

The Australian Government introduced SBR to reduce the regulatory reporting burden on business. This initiative was delivered as part of the Council of Australian Governments' (COAG) National Partnership to Deliver a Seamless National Economy. SBR offers a quicker and easier way for businesses to complete their government reporting requirements.

While there are a number of government reporting requirements for business, this paper focuses solely on issues relating to SBR and financial reports. Around 27,000 entities are required to lodge financial reports with the corporate regulator, the Australian Securities and Investments Commission (ASIC).¹ While financial reporting by business provides important information for management decisions, the public and government, it also imposes a number of compliance costs on the reporting entity.

Key international jurisdictions have introduced mandatory requirements to lodge financial reports using the same international reporting language on which SBR is based to make financial information easier for investors to analyse and to achieve efficiencies.

While businesses have been able to voluntarily lodge their financial reports with ASIC since 1 July 2010 using SBR-enabled software, they have not been moving their reporting to this channel. Various impediments to this are discussed in this paper.

Section 1 of the paper explains the SBR initiative and the benefits it offers Australian businesses in reducing the regulatory reporting burden. It discusses how SBR could be leveraged as a productivity tool to increase the transparency of company financial information. This section also provides background on formats for the lodgement of financial reports, including relevant international developments.

Section 2 discusses the reasons why it is appropriate to promote the use of SBR for financial reports; these relate to improving the transparency of financial information, business use of SBR and international developments.

Section 3 sets out the options for the use of SBR for the lodgement of financial reports, including whether lodgement via SBR should be mandatory. This is followed by a discussion of the key issues, costs and benefits of the options in Section 4.

Finally, Section 5 sets out for discussion purposes broad implementation issues associated with option 1. This includes the scope of the possible reform, including whether it should be limited to larger reporting entities

1 In some cases, reports are lodged with the Australian Securities Exchange (ASX) for forwarding to ASIC.

SECTION 1 — INTRODUCTION

STANDARD BUSINESS REPORTING

1. Standard Business Reporting (SBR) is an Australian Government initiative to reduce the regulatory reporting burden on business. It was delivered as part of COAG's National Partnership to Deliver a Seamless National Economy.
2. SBR was co-designed by Australian, state and territory government agencies in partnership with software providers, businesses and their accountants, bookkeepers, tax agents and payroll professionals.
 - Treasury is the lead agency, with participation from: the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Taxation Office (ATO), the Australian Bureau of Statistics (ABS) and the eight State and Territory Revenue offices (SROs).
3. SBR has been available for business use since 1 July 2010, offering Australian businesses, accountants, bookkeepers, tax agents and payroll professionals a quicker and simpler way to report to government. The initial focus of SBR is financial and payroll reporting, noting it could be expanded into other areas of business reporting.
4. SBR is based on the idea that information will be '*recorded once, reported to many*' to enhance business efficiency. It is more than a tool for the lodgement of reports, with benefits flowing from the use of the key SBR capabilities: the SBR taxonomy (harmonised dictionary); the AUSkey credential (single secure log on for business); and SBR Web Services / Core Services (the SBR online gateway). (**Attachment 1** provides further general information on SBR).
 - The SBR taxonomy is a common language for reporting to government. Its introduction has significantly reduced the number of different business-to-government reporting terms. The SBR taxonomy uses an international business reporting language (called eXtensible Business Reporting Language, or XBRL).
 - AUSkey authenticates businesses accessing SBR (and other government online services) through the use of a secure, single credential across government, alleviating the frustration for businesses of logging on to agencies' online services using multiple IDs and passwords.
 - The SBR online gateway enables businesses to prepare and lodge key government reports directly from their SBR-enabled software.
5. SBR better equips businesses to understand and meet government requirements, and simplifies reporting to government. Examples of the many government reports that business can lodge with agencies using SBR include: business activity statements and company tax returns (ATO); and payroll tax returns (State and Territory Government revenue offices). For these types of forms, SBR-enabled software works by using data in accounting and payroll systems to auto-fill forms, as well as information stored in government agency systems to pre-fill forms with the required information; verifying the assembled information; and then by delivering the required information to the relevant agency through a safe, secure online channel.

6. Lodgements of taxation-related reports under SBR's online gateway have increased sharply in recent quarters across several major lines of reporting, including business activity statements, tax-file number declarations and payment summary (PAYG) statements. There are now 95 commercial software providers licensed to develop SBR-enabled software, including 17 self-certified providers, many supporting multiple forms. This number is expected to increase significantly over the next 12 months.
7. Further, more than 387,000 businesses have been issued with an AUSkey, which is being used up to 4.3 million times per month. Currently 28 online services (managed by 17 agencies) accept AUSkey.
8. While much of SBR focuses on the completion of standardised documents for reporting purposes, SBR is also a powerful productivity tool that can be used for other purposes, such as the efficient management of information.
 - It is within this context that SBR and its use for financial reporting is considered.
9. As noted, the SBR initiative was delivered as part of COAG's National Partnership to Deliver a Seamless National Economy. The Productivity Commission's (PC) April 2012 report on the *Impacts of COAG Reforms* noted that the SBR capabilities were delivered in 2010 but that business use of the SBR online gateway for report lodgement had been well below predicted levels, with one of the factors affecting take-up being minimal availability of SBR-enabled software.
 - However, it is worth noting the PC's research for the report was conducted prior to the sharp increases in use of the SBR gateway noted above.
10. The PC report concluded that the potential benefits from the use of SBR are likely to be large, in the order of \$500 million per annum. The report noted the need for decisive action by the Government to achieve the potential benefits.
11. The Government is committed to SBR as the primary business reporting channel as this will contribute to a reduction in the business regulatory burden. Two recent decisions are relevant. First, the Australian Taxation Office is adopting SBR technology to rationalise its online reporting channels by 2015-16.
12. The SBR framework is also used to support the Government's *SuperStream* reforms, which mandate the use of superannuation data and payment standards for superannuation funds from 1 July 2013 and for medium and large employers from 1 July 2014. Subject to further consultation, the superannuation data and payment standards will be mandated for smaller employers from 1 July 2015. *SuperStream* will improve the productivity of the superannuation system, and make it easier for both funds and employers to process superannuation transactions.
13. SBR is well-placed to assist with the Government's wider policy objective of reducing the business reporting burden through the re-use of the SBR capabilities and its unique '*recorded once, reported to many*' approach.
14. Recently, COAG committed to reduce reporting burdens on business, and asked its new cross-jurisdictional Taskforce to report on specific ways to remove overlaps in Commonwealth and state and territory reporting obligations, including the expanded use of online business reporting. The expansion of SBR into other areas of reporting would provide a solution to many of the reporting burdens of concern to business.
15. The SBR Board recently approved in-principle a strategic roadmap for the expansion of SBR to other areas of business-to-government reporting. This vision also contemplated SBR's future expansion in government-to-government exchanges, facilitation of

business-to-business exchanges, as well as considering the further rationalisation of reporting terms.

FINANCIAL REPORT FORMATS

16. The *Corporations Act 2001* (Corporations Act) governs financial reporting for companies, registered schemes and disclosing entities in Australia. Each year, approximately 27,000 public and proprietary companies and registered investment schemes are required to lodge their financial reports with ASIC directly or, in the case of listed public companies and registered schemes, indirectly through the Australian Securities Exchange (ASX), which forwards them to ASIC.
17. The Corporations Regulations specify general requirements for the lodgement of documents (including financial reports) with ASIC.² In essence, the financial report must be human-readable.
18. Currently, financial reports must be lodged either as a paper copy, or electronically using the portable document format (PDF). The reports are available for purchase from information brokers or ASIC service centres. While both paper and PDF documents are human-readable, they must be converted into another format for use by the IT analytical tools that analyse and compare financial information. The conversion process of the financial information for electronic use is difficult, lengthy and expensive.
19. Entities lodging their reports electronically are also permitted, on a voluntary basis, to lodge financial reports in XBRL format (that is, in addition to mandatory PDF report lodgement). These financial reports are lodged electronically, using the SBR channel and SBR authentication solution (AUSkey) in XBRL format. The use of SBR in this way would enable investors to more readily compare financial reports through electronic analysis as, unlike paper or PDF, the data are capable of being analysed by machines.
20. As noted earlier, the SBR taxonomy is based on XBRL, an international business reporting language. While XBRL is effective for electronic communications and use, the documents produced by XBRL are not presented in an easily understandable format, as the data are essentially in code and removed from their explanatory material.³ An XBRL report also does not replicate the visual appearance of a financial report provided by companies to their shareholders. Therefore, to ensure the financial report is understandable, lodgement via SBR must currently be accompanied by a PDF.
21. While not currently used in SBR, inline XBRL (iXBRL) is a complementary specification of XBRL that enables SBR-taxonomy based data to be read and understood by machines and humans alike, by maintaining the basic structure of the document as produced by the author.⁴ iXBRL combines XHTML (the language of the World Wide Web) and XBRL (the language of data) to allow information to be viewed in its

² *Corporations Regulations 2001*, 1.1.07.

³ In relation to the readability of an XBRL document, while it may be possible for a person who is familiar with financial reports and XBRL to read the financial report, it would not be a simple exercise and therefore not efficient or effective.

⁴ iXBRL could also be used to exactly replicate the visual appearance of the financial report that is currently provided in PDF form. However, in order to do this, it would be necessary for providers of financial reports to lodge via SBR all of the necessary components, including images, with the lodgement of the IFRS tagged financial data. Additional SBR capability may also be needed to accept all components of the report, depending on the size of those files.

explanatory context while maintaining the basic visual presentation of the report. Further information about XBRL, including iXBRL, is provided at **Attachment 2**.

INTERNATIONAL MOVES TO XBRL

22. An increasing number of countries are mandating XBRL, or iXBRL, as a means to improve the transparency and effectiveness of publically lodged financial reports and to achieve efficiencies.
23. Both the United States (US) and United Kingdom (UK) have introduced mandatory requirements to lodge financial reports in XBRL or iXBRL format.
24. On 13 April 2009, the US Securities and Exchange Commission (SEC) mandated the use of XBRL for financial statement information to improve its usefulness to investors and to assist in automating regulatory filings and business information processing. The mandate was phased in over three years for public companies and foreign private issuers, and applies to:
 - domestic and foreign large accelerated filers that utilise US Generally Accepted Accounting Principles (GAAP) with a worldwide public float of greater than \$5 billion – approximately the 500 largest US companies;
 - all other domestic and foreign large accelerated filers that utilize US GAAP; and
 - all remaining smaller domestic filers filing in US GAAP, as well as foreign private issuers using IFRS as issued by the IASB.
25. In 2006, the United Kingdom (UK) Government accepted all recommendations in a high-profile review of Her Majesty's Revenue and Customs (HMRC) Online Services, which included making the use of iXBRL mandatory for the filing of all company tax returns (including accounts) from April 2011. Currently, the measure requires limited tagging⁵ of accounts, with the tagging lists⁶ for UK GAAP and UK-IFRS representing about a third of the available tags in these accounting taxonomies.⁷ This and other measures seek to maximise the take-up of online services to provide a better and more cost effective service for customers; encourage wider use of new technology that can provide further benefits for customers; and achieve data efficiencies to reduce costs.
26. Other countries that require the lodgement of financial reports in XBRL or iXBRL format include Germany, Belgium, Italy, Denmark, China, Japan, India and Singapore.

5 Tagging is the process of attaching to a concept the extra information needed for it to be represented in XBRL.

6 Following consultation, HRMC agreed that there will be no major increase to the minimum tagging requirements, which were due to be increased when the transitional period expired at the end of March 2013. <http://www.hmrc.gov.uk/ct/ct-online/file-return/xbrl-tagging-120531.pdf>

7 XBRL guide for UK businesses <http://www.hmrc.gov.uk/ct/ct-online/file-return/xbrl-guide.pdf>

SECTION 2 — THE PROBLEM

27. There are three key issues to be considered:

- the use of paper or PDF to lodge financial reports is neither the most efficient, nor the most effective, means of maximising the benefits of public disclosure of financial reports;
- businesses are not yet voluntarily lodging their financial reports with ASIC using SBR; and
- the need to keep pace with international developments to use XBRL or iXBRL for financial reporting.

EFFECTIVENESS OF PUBLIC DISCLOSURE

28. The use of paper/PDF to lodge financial reports is neither the most efficient, nor effective, means of maximising the benefits of public disclosure of financial reports. In particular, there are limitations around how quickly the data can be analysed and used.

29. On the other hand, XBRL or iXBRL is a machine readable format that enables financial reporting to be more transparent and effective. Data are more accurate and useful to users, particularly analysts and investors, who are more readily able to undertake comparative assessments across firms, industries and reporting periods. With the use of XBRL or iXBRL, analysts (and others) would not need to manually re-key information into a form that is usable for detailed financial assessments. The use of XBRL or iXBRL offers opportunities to provide information to markets and other stakeholders in a quicker and more efficient manner.

- Although designed to reduce the reporting burden, SBR is also a powerful productivity tool which can support fairer and more efficient markets by addressing certain information impediments.

BUSINESS USAGE OF SBR

30. As noted above, lodgements of taxation-related reports under SBR's online gateway have increased sharply in recent quarters, reflecting an increase in the availability of SBR-enabled software for taxation reporting. However, to date, the voluntary approach to the lodgement of financial reports using SBR has not been successful.

31. The use of SBR for the lodgement of financial reports is currently constrained by the limited number of SBR-enabled software products in the market, particularly for large business, and the voluntary nature of the SBR program.

- Firms have not yet migrated to SBR and a sufficiently large number of users has not emerged that would act as a catalyst to generate the development of software products for financial reporting more widely usable across industry.

32. International experience in the US, UK and elsewhere indicates low take-up rates for voluntary lodgement of financial reports in XBRL or iXBRL format.

INTERNATIONAL DEVELOPMENTS

33. As noted, a number of key international jurisdictions are mandating XBRL, or iXBRL, as a means to improve the transparency and effectiveness of publically lodged financial reports and to achieve efficiencies.
34. It is important to keep pace with developments in other capital markets to maximise the benefits of public disclosure of financial reports which will assist in maintaining capital flows into Australia. Further, with ongoing efforts to harmonise global financial reporting and the use of XBRL internationally, there are opportunities for businesses and capital markets to share information in a much more meaningful and comparable way.

Discussion points

For providers of financial reports:

How does your business lodge financial reports with ASIC or the ASX? Please describe why you use that mechanism and the key costs and benefits.

Has your business considered using SBR for the lodgement of financial reports in XBRL format? What are the barriers to the adoption of the technology?

For software developers:

Does your business offer SBR-enabled software so that providers can lodge a PDF and XBRL copy of the financial report via SBR?

Has your business considered developing SBR-enabled software so that providers can lodge a PDF and XBRL copy of the financial report via SBR? What are the barriers to the development of this technology?

For users of financial reports:

What impediments exist with the current use of financial reports in PDF/paper format?

SECTION 3 — OPTIONS

35. Options to improve the transparency and effectiveness of financial reports lodged with ASIC and to achieve other efficiencies through the use of SBR include:

OPTION 1: MANDATORY LODGEMENT OF FINANCIAL REPORTS USING SBR

36. Option 1 involves the mandatory lodgement of financial reports using SBR in:
- XBRL format, with continued mandatory lodgement of financial reports in either paper or PDF form; or
 - iXBRL format with no separate requirement to lodge PDF or paper versions.

OPTION 2: VOLUNTARY LODGEMENT OF FINANCIAL REPORTS IN iXBRL FORMAT USING SBR

37. Option 2 involves:
- permitting the voluntary lodgement of financial reports in iXBRL format using SBR (replacing the need to lodge a PDF or paper copy); and
 - mandatory lodgement of financial reports as PDF or paper, when choosing not to lodge financial reports using iXBRL.

OPTION 3: STATUS QUO

38. Option 3 involves:
- mandatory requirement to lodge financial reports in either PDF or paper form; and
 - voluntary lodgement of financial reports in XBRL format using SBR (in addition to PDF/paper).

SECTION 4 — ANALYSIS OF OPTIONS

OPTION 1 — MANDATORY LODGEMENT OF FINANCIAL REPORTS USING SBR

39. Option 1 involves all financial reports being lodged using SBR, either in iXBRL or XBRL format.
40. There are a number of benefits to the lodgement of financial reports using SBR (whether iXBRL or XBRL is used). Analysts, investors and reporting entities can benefit from greater transparency of financial reports, with opportunities for reporting entities to operate more efficiently.
41. For analysts and investors:
 - financial reports are more readily discoverable and usable because these reports, and the key financial information within them, would be electronically tagged in a manner that enables their electronic discovery, analysis and comparison using IT tools. This is a significant advantage over current report forms lodged in PDF or paper format; and
 - the more usable reports will allow investors and analysts to more effectively compare financial and business performance across companies. The use of XBRL enables information to be provided to markets and other stakeholders in a quicker and more efficient manner.
42. In addition to benefits for investors and analysts, there are benefits for those entities lodging their financial reports using XBRL. These include:
 - the capacity to leverage the benefits of using SBR to simplify other business-to-government and business-to-business reporting (see **Attachment 1** for Standard Business Reporting);
 - the capacity to keep pace with international trends for the use of XBRL and assist in maintaining capital flows; and
 - the use of the SBR taxonomy, XBRL, and other SBR standards to improve internal processes and reporting.
 - there are opportunities for business to embed XBRL into their reporting processes and automate the production and analysis of their financial reporting. There are possibilities of cost reduction through automation of financial reporting, while enhancing the speed and consistency of reporting.
43. Software providers also benefit from this option, as it may increase demand for their SBR-enabled software and associated goods/services. It would also enable software providers to prioritise SBR-enabling of products.
44. More broadly, there are opportunities for businesses and capital markets to share information in a much more meaningful and comparable way, building on the increased harmonisation of global financial reporting and the use of XBRL internationally. XBRL financial reporting would use the IFRS AU taxonomy, which is based on the international IFRS taxonomy.

45. As noted, the current SBR capability uses XBRL, which is effective for electronic communication and use. However, the documents produced by XBRL are not presented in an easily understandable format and are generally only machine-readable. This means it would be necessary to continue with mandatory lodgement of financial reports in either paper or PDF form.
46. While it is possible to use a separate viewer to 'read' the report in XBRL, the use of such a viewer means that the provider of the report does not maintain control over the presentational aspects and structure of the report. The use of multiple formats also makes it more complex for providers to control the presentation of the financial report and creates the potential for inconsistency and inaccuracy between the different versions of the reports. Therefore it would seem that it would still be necessary to lodge a PDF or paper version, in addition to the XBRL report. The paper or PDF version would be the 'official' report under the Corporations Act.
47. However, it would be possible to use iXBRL for the lodgement of financial reports by making some minor changes to Australia's SBR solution to include iXBRL. There are some key additional benefits to the use of iXBRL for the lodgement of financial reports, which also offer the benefits of using XBRL.
48. iXBRL delivers the capacity for data to be processed electronically, ensures the report is readily understandable to humans and maintains the basic structure of the report. This means that the current requirement to provide financial reports as a PDF or paper could be removed, because financial reports lodged using iXBRL are (unlike PDF/paper formats) designed for use by both machines and humans. The use of iXBRL also allows for the provider to maintain control over the report and the presentation of the data.
49. Further, the use of iXBRL allows for the lodgement of a single document. It is simpler for providers of financial reports to protect and manage one document (that is, in iXBRL, PDF or paper formats); as well, that single document represents the one source of truth for the entity's financial position.
50. There are costs associated with the implementation of this option (either XBRL or iXBRL):
 - **for providers** of financial reports (for example, companies) – the costs of implementing the option. These costs would depend on how XBRL/iXBRL was implemented. This could involve, for example, the costs of outsourcing the generation of the XBRL/iXBRL report to a third party provider, or the costs of making systems changes to SBR-enable their systems;
 - **for users** of financial reports (for example, analysts and investors) – range from no costs (if no changes to the analysis of reports are made) to upfront costs of acquiring XBRL analytical tools, training, and changing the way financial reports are accessed and content is used; and
 - **for software developers** – include upfront costs of SBR-enabling their products with iXBRL.

51. These costs could vary significantly, depending on software/systems used, related IT capability and expertise, and the implementation approach. In this regard, it is noted that some larger businesses are already using XBRL. While businesses would incur up-front costs from the introduction of XBRL/iXBRL, through new software systems, tagging and training, it is expected that improvements in the processing of information would lead, over time, to a reduction in business costs. The time taken to gather and review information within the company would decline and efficiencies would also derive from the greater accuracy of data and reductions in the allocation of resources to checking for errors.
52. It is also worth noting that, given the similar changes in lodgement arrangements for financial reports introduced in other major jurisdictions, Australia may benefit from the advancements made in XBRL-related technology, therefore making it easier for business and users to implement this option.
53. Based on overseas experience, it is anticipated that the transition costs that users may incur in implementing this option may not be as high as initially expected.

Discussion points

For providers of financial reports and software developers:

What would be the costs associated with implementing this option for your business? Please include costs for XBRL and iXBRL.

Do you agree/disagree with the benefits and costs listed above? Why?

Are there any other impacts associated with implementing this option?

For users of financial reports:

How would your access/use of financial reports be impacted if Option 1 were implemented? What would be the costs for users of financial reports? Please include costs for XBRL and iXBRL.

Do you agree/disagree with the benefits and costs listed above? Why?

Are there any other impacts associated with implementing this option?

For all other stakeholders:

Do you agree/disagree with the benefits and costs listed above? Why?

Are there any other impacts associated with implementing this option?

OPTION 2: VOLUNTARY LODGEMENT OF FINANCIAL REPORTS IN iXBRL FORMAT USING SBR

54. Option 2 involves the voluntary lodgement of financial reports in iXBRL format using SBR.
55. The benefits of voluntarily adopting iXBRL are substantially the same as set out in option 1. The approach increases the discoverability and usability of financial reports, for both investors and analysts. Reporting entities also benefit from leveraging SBR capabilities for other business-to-government and business-to-business reporting with potential for improved internal reporting. This option also ensures that Australia keeps pace with international developments in the use of XBRL/iXBRL in financial report lodgement, thereby assisting in maintaining capital flows through increased market transparency. Software developers could also benefit from increased demand for SBR-enabled products. Further, Australia may benefit from advancements made during the introduction of XBRL-related technology overseas.
56. Of course, the key difference with option 1 is that the benefits only apply to the extent that SBR is voluntarily adopted. In this context, it is questionable whether the benefits of the reform (for example improving the discoverability and usability of financial reports) would be realised if they only apply on an ad hoc basis.
57. As noted earlier, the voluntary approach to the lodgement of financial reports using SBR has not been successful to date, although this approach (option 3) also requires the submission of a separate financial report in PDF or paper format.
58. Under option 2, providers of reports would only need to lodge a financial report in iXBRL format. That is, the separate requirement to lodge an additional PDF or paper copy could be removed.
59. While it is possible that this change could encourage more users to use SBR on a voluntary basis, there remains a risk that the benefits would only be achieved on an ad hoc basis.
60. The costs associated with implementing this option for providers, users and software developers using SBR are generally the same as if SBR were mandated under option 1. However, there may be additional costs for users where they may need to use or maintain multiple methods for accessing and analysing financial reports, where only some reporting entities use SBR.

Discussion points

For providers of financial reports:

Would you/your business consider using iXBRL to lodge financial reports via SBR? Why/Why not.

Do you agree/disagree with the benefits and costs listed above? Why?

If iXBRL was voluntarily adopted, what would be the costs associated with implementing this option for your business?

Are there any other impacts associated with implementing this option?

Discussion points (continued)

For users of financial reports:

How would your access/use of financial reports be impacted if Option 2 were implemented?
What would be the costs for users of financial reports?

Do you agree/disagree with the benefits and costs listed above? Why?

Are there any other impacts associated with implementing this option?

For software developers:

If iXBRL was voluntarily adopted, what would be the costs associated with implementing this option for your business?

Do you agree/disagree with the benefits and costs listed above? Why?

Are there any other impacts associated with implementing this option?

For all other stakeholders:

Do you agree/disagree with the benefits and costs listed above? Why?

Are there any other impacts associated with implementing this option?

OPTION 3- MAINTAIN THE STATUS QUO

61. Option 3 involves the lodging of financial reports in PDF or paper format, with voluntary lodgement of financial reports via SBR in XBRL format. The benefit of this approach is that providers and users of financial reports will not incur the costs involved in changing how financial reports are lodged or analysed (unless a provider chooses to use SBR).
62. However, this approach has a number of impacts, including:
 - **for providers who choose to lodge XBRL financial reports** – the need to also submit financial reports in PDF format. Further, if only a few providers take up XBRL, there would be a lack of incentives for users to invest in XBRL/iXBRL technologies. This would negate the value of the provider's investment in XBRL;
 - **for providers who only lodge PDF/paper financial reports** – not being able to maximise the potential benefits of embedding XBRL into their reporting processes and automating the production and analysis of their financial reports to achieve efficiencies and improve the accuracy of reporting;
 - **for users** of financial reports (for example, analysts and investors) that use IT tools to analyse/compare financial report information – the costs involved in discovering, accessing and converting key reported financial information into appropriate electronic format/s;

- **for software developers** – a slower rate of company take-up of SBR-enabled software for financial report lodgement than would be the case if SBR were mandated. Software developers may not also be able to prioritise SBR-enabling of products in the absence of a mandate; and
- **for providers of financial reports and the Australian economy** – not keeping pace with developments in other capital markets, the opportunity costs of not improving the market transparency and efficacy of financial reports lodged with ASIC.

Discussion points

For providers of financial reports:

Please outline the costs to your business of using SBR voluntarily, as well as lodging a PDF/paper version of your financial report.

Do you agree/disagree with the benefits and costs listed above? Why?

Are there any other impacts associated with implementing this option?

For users of financial reports, software developers and other stakeholders:

Do you agree/disagree with the benefits and costs listed above? Why?

Are there any other impacts associated with implementing this option?

General discussion points

For all stakeholders:

Please state your preferred option and/or provide any alternative options for the lodgement of financial reports via SBR.

SECTION 5 — APPLICATION AND IMPLEMENTATION

63. If the lodgement of financial reports via SBR became mandatory under option 1, there are two key implementation issues:
- which entities would be required to lodge financial reports via SBR; and
 - the timeframe around the introduction of mandatory lodgement, as well as any other related transitional arrangements.
64. Around 27,000 entities are required to lodge financial reports with the corporate regulator, the Australian Securities and Investments Commission (ASIC).⁸ Entities that lodged public financial reports with ASIC in 2010-11 are shown in Table 1:

Table 1: Entities Lodging Public Financial Reports	Nos.
Public Companies	
Listed public companies	1,951
Public companies limited by guarantee	8,360
Other unlisted public companies	5,476
Proprietary companies	
Large proprietary companies (un-grandfathered)	5,359
Small proprietary companies controlled by foreign companies	2,309
Other proprietary companies	114
Registered schemes	
Listed registered schemes	83
Unlisted registered schemes	3,738
Total	27,390

65. The mandatory lodgement of financial reports could apply to all entities that are required to report (as listed above), or a sub-set of these entities.
66. It may be appropriate to apply the requirement to all reporting entities, given that, over the longer term SBR (based on XBRL technology) is likely to become the primary reporting channel to Government. As noted above, the Government has announced that SBR-compatible standards will be used for superannuation industry transactions under the Stronger Super reforms and the Australian Taxation Office is adopting SBR technology to rationalise its online reporting channels by 2015-16. As a result, entities will be increasingly using SBR for superannuation and taxation related reporting requirements.
67. On the other hand, a more limited mandate (either initially or permanently) could be more appropriate. Such an approach would direct the measure at entities whose financial data are most useful to the investment community for analysis, a key benefit of the reform. This limited mandate could apply, for example, to listed and unlisted

⁸ In some cases, reports are lodged with the ASX which passes the report to ASIC.

disclosing entities,⁹ which already have greater reporting obligations under the *Corporations Act 2001* compared with other reporting entities. It could also be focused to the larger entities within these groups.

68. On timing, if there were to be mandatory lodgement of financial reports via SBR, it is anticipated that there would be detailed discussions with industry about a suitable transition period to allow companies to implement systems changes, software companies to develop products and for these products to be introduced.
69. Further, there is a question of whether it is more appropriate to adopt a phased implementation or a single date from which all reports (for entities covered) must be lodged. For example, the possible requirement for listed and unlisted disclosing entities to lodge via SBR could be limited (at least initially) to the larger listed companies, for example the top 300 entities (noting that it would be necessary to define the top 300 entities for this purpose), with other entities being phased into the mandate over time. It may be that limiting this requirement to the top 300 allows the larger entities to bed down the arrangements, while providing a data set which will be of interest to the broad investment community.
70. Staged implementation has been used for the introduction of XBRL overseas. The US Securities and Exchange Commission (SEC) allowed phased adoption, with companies required to lodge a year prior to mutual funds. In the first year, entities were required to tag the financial statements only and not the attached notes. In the UK, a transitional measure is in place permitting limited tagging of accounts. HRMC has announced that this transitional measure will not be removed, as planned, at the end of March 2013.

<p>Discussion points</p> <p>For all stakeholders:</p> <p>Is there any justification for excluding certain entities from the mandatory requirement to lodge financial reports via SBR (option 1). Which entities should be excluded and why? Should this exclusion be temporary or permanent?</p> <p>Please list the entities (see table 1) whose financial reports are most useful for investment analysis? Why?</p> <p>If SBR were mandated, what transitional period would be needed to ensure your business was ready to lodge financial reports. Why?</p> <p>If SBR were mandated for financial report lodgement, would a staged approach be a better option? For example, applying the mandate initially to the top 300 listed entities first, with other entities covered by the mandate being phased in at a later date. Alternatively, is it preferable to set a single date from which all reports (for entities covered by the mandate) must be lodged using SBR. Why?</p>
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⁹ Unlisted disclosing entities are included in other categories in Table 1 – there are 2,102 unlisted disclosing entities, with 1,679 included in ‘Unlisted Registered Schemes’ and 423 included in ‘Other Unlisted Public Companies’.

ATTACHMENT 1: STANDARD BUSINESS REPORTING (SBR)

Standard Business Reporting (SBR) is an Australian Government initiative to reduce the reporting burden for business and was delivered as part of COAG's National Partnership to Deliver a Seamless National Economy.

SBR was co-designed by Australian, state and territory government agencies in partnership with software developers, business and their accountants, bookkeepers, tax agents and payroll professionals. The agencies participating in the SBR program are Treasury (lead agency), the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Taxation Office (ATO), the Australian Bureau of Statistics (ABS) and each of the State and Territory Revenue offices (SROs).

SBR offers a quicker and easier way for businesses to complete their government reporting requirements.

The Government delivered the key SBR capabilities on 1 July 2010: the SBR taxonomy (harmonised dictionary), AUSkey (single secure log on) and SBR gateway (technical) services. While the key capabilities include a lodgement channel, SBR offers a suite of capabilities that delivers benefits to business.

SBR TAXONOMY (HARMONISED DICTIONARY)

The SBR taxonomy is a common reporting language for reporting to government. Through SBR, government has reduced the number of reports required from business. In developing SBR for financial/payroll reporting, 432 government reports were reviewed, with around 26,000 data items rationalised to around 6,000 unique terms, each with its own explicit meaning. This represents about a 75 per cent reduction in the number of terms used for financial/payroll reporting. The SBR taxonomy uses the international eXtensible Business Reporting Language (XBRL), details of which are provided at **Attachment 2**.

AUSKEY (THE SINGLE SECURE SBR LOG ON FOR BUSINESS)

AUSkey authenticates businesses accessing government online services, using a single credential. The adoption of AUSkey offers businesses the convenience of a single authentication system across government, alleviating the frustration for businesses of logging on to agencies' online services using multiple IDs and passwords.

SBR GATEWAY (TECHNICAL) SERVICES

The SBR gateway enables businesses to prepare and lodge government reports directly from their SBR-enabled software. SBR gateway services allow SBR-enabled software used by business to interact seamlessly with government services in the same way, regardless of the agency involved. SBR gateway services only transmit information that a business chooses to send to a specific agency and so operates like an electronic postal service.

ATTACHMENT 2: EXTENSIBLE BUSINESS REPORTING LANGUAGE (XBRL)

The eXtensible Business Reporting Language (XBRL) is an internationally recognised data standard for the electronic communication of business and financial data which is being increasingly used in business reporting around the world.

XBRL was developed by an international non-profit consortium of major companies, organisations and government agencies, including: the world's leading accounting, technology and financial service bodies; and officials representing the interests of more than 30 countries/regions. As a result of this collaboration, this open-source standard can be used by all types of organisations, irrespective of the spoken language.

Over the last few years, use of this freely available, non-proprietary standard has been increasing in Europe, the Americas, Asia Pacific and the Middle East. The International Accounting Standards Board's (IASB) taxonomy for International Financial Reporting Standards (IFRS)¹⁰ is an example of an XBRL application that is being increasingly used internationally.

The idea behind XBRL is simple – it is a machine-readable interactive reporting language which works by putting a tag on each individual item of data, like a bar code on a product. This can then be 'intelligently' read by computer systems and, because it is the data itself that is tagged, it can then be selected, read, analysed, stored, compared or published.¹¹

XBRL offers benefits at all stages of the financial information supply chain, from preparers, to transmitters and users of business data.

Resource intensive data preparation and reporting processes can be readily automated using XBRL, including when data are sourced from different businesses and accounting systems. XBRL-tagged data can be quickly and reliably merged and used for internal management reports, financial statements and many other purposes, including information for external publications and regulatory filings, credit reports for lenders, etc. The automation of data handling removes time-consuming, error-prone processes, including data-accuracy checking processes.

XBRL is being used increasingly internationally in business-to-government reports as a means of improving the transparency of regulatory reporting data. Its use has been either mandated or voluntarily permitted in regulatory filing programs in a number of countries.

Users of data received electronically in XBRL can also automate data handling, significantly reducing time-consuming and costly collation and re-entry of information. XBRL enables the immediate validation of data and the identification of errors and gaps. XBRL can be used to analyse, select, and process data for re-use at any time, freeing up time for higher

10 The IFRS taxonomy guide, available on the IFRS website (www.ifrs.org), contains guidance on how to use the IFRS taxonomy from both an accounting and XBRL technology perspective.

11 HMRC Carter Programme – Compulsory online filing of Company Tax Returns and electronic payment of Corporation Tax – consultation on draft amendment regulations, 2010, 5.

value-added activities of analysis, review, reporting and decision-making. Investment analysts can save effort, simplify the selection and comparison of data, and deepen their company analysis; lenders can save costs and speed up dealings with borrowers; and regulators can assemble, validate and review data more efficiently and effectively.

XBRL is a reporting standard that regulators, CFOs, investors, and many others are increasingly using to reduce costs and speed up and increase reliability in accounting and auditing tasks. While XBRL adoption is currently being driven primarily by regulators/governments, its real value comes not from compliance reporting, but from applications within and between businesses.

iXBRL

iXBRL is a way of embedding and displaying tagged XBRL financial information in an XHTML document, the universal language for web browsers. It allows data to be presented in a form that is possible to read and understand, either on screen or in printed output.

Further information about XBRL and iXBRL, including technical specifications, are available on the XBRL International website (www.xbrl.org).