TAX SYSTEMS

European Single Electronic Format (ESEF) Reporting

Automate the creation of a publishable iXBRL tagged annual financial report to meet ESMA's (European Securities and Markets Authority) ESEF taxonomy

THE BACKGROUND

The European Single Electronic Format ('ESEF') was first mooted back in 2014. After six years of consultation and deliberation, the compliance regulation was delayed by the FCA due to the pandemic and came into force in 2021, affecting financial year-ends beginning on or after 1 January 2021.

ESEF will require all main-market listed businesses across the EU to prepare and publish online a tagged version of their annual financial report.

Realistically, this means the first reports to be published will fall in Q1 2022 for 31 December 2021 year-ends.

Most businesses will only need to prepare one document a year. The entire document must be made available in XHTML format which can be viewed using a standard browser. In addition to this, all primary statements ie Income Statement, Balance Sheet, Cashflow Statement and SOCIE must be iXBRL tagged.

THE CHALLENGES

The annual report is not just a set of numbers, but tells a story of how the business has performed over the year. It has to be visually appealing and convey messages that are 'on brand'. Any errors can result in reputational damage and attract regulator scrutiny. Consequently, many companies devote substantial resource to their annual report production.

Year-end is a very busy time, with large teams often working long hours to meet deadlines and produce the report. The ESEF requirement places further demands upon these teams, requiring a rapid turnaround when it comes to preparing, reviewing and publishing this new format.

Whilst ESEF does place a new onus on firms to produce another document in another format, technology is available that enables specialist compliance businesses such as Tax Systems to offer full outsourced offerings. This approach means that ESEF doesn't cause any changes to the existing year-end processes, and simply 'bolts on' at the end of it. This will be a relief for many resource-stricken finance teams.

HOW ESEF COMPARES

Unlike existing HMRC tagging requirements, ESEF sees the creation of a publicly available document, exposing the business to further scrutiny. It differs from current UK/Ireland iXBRL tagging in the following ways:

Area	ESEF	HMRC
Scope of tagging (1)	Primary statements only	Full document
Scope of tagging (2)	All figures (including footnotes). This involves creating your own tags ('extending').	Only figures which relate to the taxonomy in question
Publicly available	Yes; must be published on your website	No; private submission
Level of scrutiny	High	Low
Visual design	Very important, must 'look and feel' like their PDF counterparts	Not important
Turnaround time	Quick. Year-end processes are time-pressured as it is	Up to 12 months, no pressure
Audit	Not currently in scope, though may change and is currently optional	Not in scope

ESEF REPORTING FROM TAX SYSTEMS

Our ESEF tagging service builds upon the success of our market leading iXBRL offering, which has been used to tag tens of thousands of sets of accounts since 2011, including almost half of FTSE 100 companies.

KEY BENEFITS

Automates and manages the process to provide sufficient turnaround time

Removes the need to invest in or get to grips with new technology

Avoids alterations and disruption to the end-of-year reporting schedule

Reduces demand on resources and the costs associated with report production

Mitigates the risk of errors and reputational damage

Standardises report production using PDF report input

Secure data transfer ensures sensitive client data is managed appropriately

PROCESS

We believe ESEF needn't demand a material change to your in-house finance processes. Our ESEF service offers an easy to use, cost effective and secure process. All we need from you is your previous annual report to draft, tag and prepare the ESEF document.
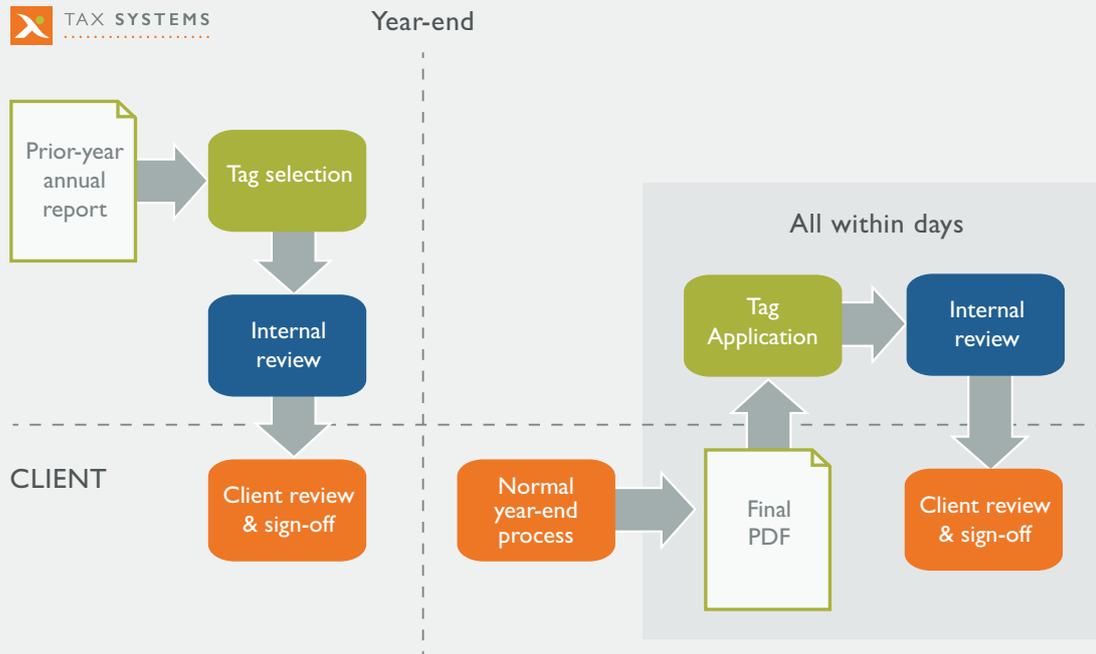
BEFORE YEAR END

1. Import of previous year's PDF accounts from website into the ESEF software
2. Tag primary statements relating to the ESMA taxonomy and apply extensions and anchors where an ESMA tag is not available
3. Review ESEF document and secure sign-off

AFTER YEAR END

4. Final PDF document sent to Tax Systems using secure data transfer
5. Pre-agreed tags applied and any changes tagged including any new line-items or those where the description has changed
6. Final review and submission of document to the business for publication with a review report

SUMMARY

Using the ESEF service will allow you to benefit from time and cost savings, and will minimise the demand on already stretched resources at end of the year. We take the pain out of the process by applying tags against ESMA taxonomy and additional tags, where needed, to meet FCA requirements, as well as providing you with review opportunities prior to and post end of year.

The publishable report not only meets compliance requirements, but also ensures the business is not exposed and its reputation is protected.

For more information or to book a demonstration of our ESEF tagging service, please contact a member of our New Business team:

Tel: 01784 777 700   enquiries@taxsystems.com   www.taxsystems.com