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Recording a contract for difference (CFD)

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Support Query

How do I record a contract for difference (CFD) in Simple Fund 360?

Overview

This article will look at how Contracts for Difference (CFDs) can be recorded in Simple Fund 360.

CFDs: Capital or Revenue?

The ATO holds the view that CFDs are to normally be recorded as revenue. In some cases, it may be recorded on capital account. Please see paragraph 40 of TR 2005/15 for when this applies.

This article will treat the CFD amounts as revenue.

This means that net gains arising from CFDs are to be treated as:

- ordinary income under section 6-5 ITAA97

and it follows that any net losses incurred would be an:

- allowable deduction under section 25-40 ITAA97

Recording in Simple Fund 360

An account will be created for the CFD trading account in the chart of accounts.

Net gains and losses will be posted to the appropriate accounts created for each CFD.

GST

For funds registered for GST, note that CFDs are input taxed financial supplies and that input tax credits will not be available to offset GST amounts payable.

Note

BGL do not provide accounting or taxation advice. The following is designed to act as a guide for Simple Fund 360 users. It is not designed to be accounting or tax advice and should not be taken as a strict guideline. Other methods that are more suitable may be used instead of these steps.

Overview

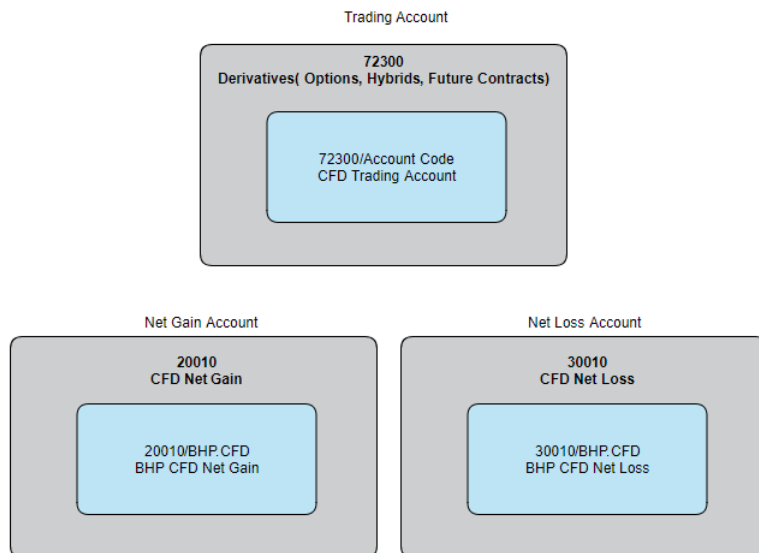
The following steps will be completed to record a CFD in Simple Fund 360:

- Create the CFD Investment Account
- Create the Net Gain and Net Loss Control accounts
- Create the individual CFD Net Gain and Net Loss Sub accounts

No profit making purpose

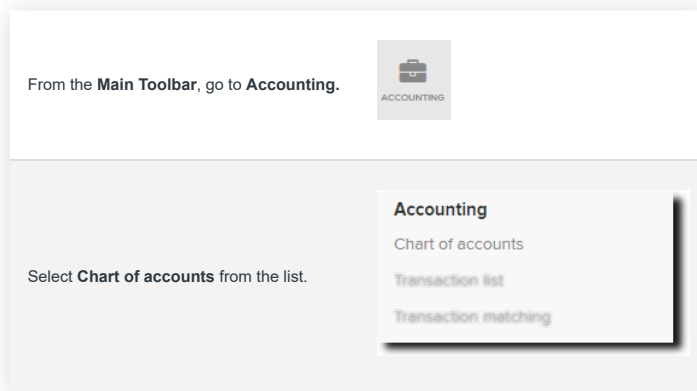
40. Whilst, as explained in previous paragraphs, gains or losses are expected most often to be on revenue account, because it is expected that usually they will be entered into with the purpose of profit-making, it is possible that in some cases the facts will establish that a person entered into the contract for differences for purposes other than to make a profit. In such a case, the gain or loss will not be on revenue account. The question then arises whether the gain or loss will be a capital gain or loss.

After completing the steps above, the following accounts will be created, including sub accounts for each investment under 72300:

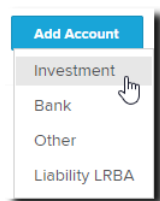


Create the CFD Investment Account

Navigate to the **Chart of Accounts**



Click **Add Account** then select **Investment**



Click **Select Securities** then click **Create New**

New Investment Account

Account Class: Sub Account

Securities: Select Securities

Investment Type:

☐ Attach to all funds

☐ Inactive Account

Code: /

Name:

Save Cancel More Details

Create New

Code	Names
ANZSWH.AX	Westpac Banking Corporation
MQGSRT.AX	The Royal Bank Of Scotland Plc
ANZLOP.AX	Citigroup Global Markets Aus Pty Lt
IPLKRQ.AX	THE ROYAL BANK OF SCOTLAND

Enter the following details:

Security Code	SaxoCFD
Security Name	Saxo CFD Trading Account
Market Type	Miscellaneous

New Security

Security Code: SaxoCFD

Security Name: Saxo CFD Trading Account

Data Feed Source: Manual

Market Type: Miscellaneous

Click **Save**



Search for the newly created security and select it

Set the **Investment Type** as **Derivatives (Options, Hybrids, Future Contracts)**

New Investment Account

Account Class:

Sub Account

Securities:

SaxoCFD Saxo CFD Trading Accou

Investment Type:

Derivatives (Options, Hybrids, Future Contract

☐ Attach to all funds?
 |

Select Funds

(1 Selected)

☐ Inactive Account

Code:

72300

/

Investment Code:

SaxoCFD

Name:

Saxo CFD Trading Account

Save

Cancel

More Details >>

Click **More Details**

[More Details >>](#)

Ensure the Investment type is **Unitised** and that the *Asset subject to CGT box* is **unticked**

New Investment Account

Account Class:

Sub Account

Securities:

SaxoCFD Saxo CFD Trading Accou

Investment Type:

Derivatives (Options, Hybrids, Future Contract

☐ Attach to all funds?
 |

Select Funds

(1 Selected)

☐ Inactive Account

Code:

72300

/

Investment Code:

SaxoCFD

Name:

Saxo CFD Trading Account

System - More Details Label:

System - Unitised Investment

Tax Label:

Assets - Debt Securities

In House Status:

Not Applicable

GST Rate:

Not Applicable

Registry:

☐ Assets subject to Limited Recourse Borrowing Arrangements
 ☐ Asset subject to CGT

☐ Depreciable asset

Save

Cancel

Click **Save**



Create control accounts

Navigate to the **Chart of Accounts**

From the **Main Toolbar**, go to **Accounting**.



Select **Chart of accounts** from the list.

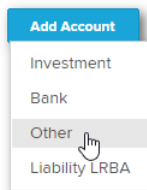
Accounting

Chart of accounts

Transaction list

Transaction matching

Click **Add Account** then select **Other**



Record the appropriate details when creating the account:

Account Class	Control
Code	20010 (Or any other available income code)
Name	CFD Net Gain
Tax Label	Income - Other Income (Or other applicable label)
GST Rate	Not Applicable

New Other Account

Account Class:

Control

Tag as

☐ Attach to all funds?

Select Funds

(1 selected)

☐ Inactive Account

Code:

20010

Name:

CFD Net Gain

System More Details

System - Other

Label:

Tax Label:

Income - Other income

In House Status:

Not Applicable

GST Rate:

Not Applicable

Securities:

Select Securities

SRN/HIN:

Registry:

☐ Asset subject to CGT

Save

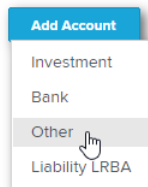
Cancel

Click **Save**



Click **Add Account** then select **Other**

Click **Add Account** then select **Other**.



Record the following details:

Account Class	Control
Code	30010 (Or any other available expense code)
Name	CFD Net Loss
Tax Label	Expenses - Other amounts (Fully deductible) (Or any other appropriate label)
GST Rate	Not Applicable

New Other Account

Account Class:Control

Tag as

☐ Attach to all funds?

Select Funds(1 selected)

☐ Inactive Account

Code:30010

Name:CFD Net Loss

System More Details

Label:System - Other

Tax Label:Expenses - Other amounts (Fu

In House Status:Not Applicable

GST Rate:Not Applicable

Securities:Select Securities

SRN/HIN:

Registry:

☐ Asset subject to CGT

Save

Cancel


Click **Save**



Create sub accounts

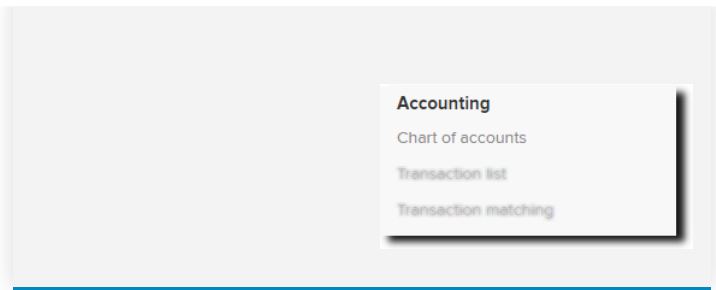
Navigate to the **Chart of Accounts**.

From the **Main Toolbar**, go to **Accounting**.

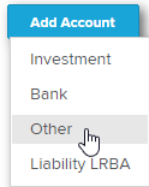


ACCOUNTING

Select **Chart of accounts** from the list.



Click **Add Account** and select **Other**



Record the appropriate details when creating the account:

Account Class	Sub Account
Code	20010
Sub Account Code	BHP.CFD
Name	BHP CFD Net Gain

New Other Account

Account Class:

Sub Account

☐ Attach to all funds?

Select Funds

(1 selected)

☐ Inactive Account

Code:

20010

Sub Account Code:

BHP.CFD

Name:

BHP CFD Net Gain

Save

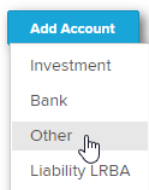
Cancel

More Details>>

Click **Save**



Click **Add Account** and select **Other**



Record the appropriate details when creating the account:

Account Class	Sub Account
Code	30010
Sub Account Code	BHP.CFD

Name BHP CFD Net Loss

New Other Account

Account Class: Sub Account

☐ Attach to all funds? | Select Funds (1 selected)

☐ Inactive Account

Code: 30010 / Sub Account Code: BHP.CFD

Name: BHP CFD Net Loss

Save

Cancel

More Details>>

Click **Save**



Recording a deposit

Example

The fund has deposited \$10,000 from its bank account to to its CFD trading account to start trading.

The fund takes a long position on BHP Shares and purchases 50,000 CFDs.

To record the deposit, the following journal will be recorded:

Account	Code	Units	Debit (\$)	Credit (\$)
Saxo CFD Trading Account	72300/SaxoCFD	1	10,000	
Bank	60400/Bank Code			10,000

Recording a Margin Call

A CFD provider will make a margin call when you have a CFD trade open which has lost money, and there is not enough cash in your CFD trading account to cover this loss.

If you get a margin call, you will usually have to pay in extra money that same day to avoid the trade being liquidated.

As a fund may not use its assets to pay margins¹, a margin call is typically covered with cash.

For this example, the fund was required to transfer \$8,000 from its bank account to cover the margin call.

The following journal records this:

Account	Code	Units	Debit (\$)	Credit (\$)
Saxo CFD Trading Account	72300/SaxoCFD	0	8,000	
Bank	60400/Bank Code			8,000

Trading Gain

After closing out the contract on 50,000 long BHP CFDs, the fund makes a net gain of \$5,240.

The following journal records this:

Account	Code	Units	Debit (\$)	Credit (\$)
Saxo CFD Trading Account	72300/SaxoCFD	0	5,240	

BHP CFD Net Gain	20010/BHP.CFD	5,240
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Trading Loss

Due to the leveraged nature of CFD trading, there exists the possibility that a loss exceeds the amount held in the trading account.

If the fund had incurred a loss of \$30,000 in trading, the following journal would record this:

Account	Code	Units	Debit (\$)	Credit (\$)
BHP CFD Net Loss	30010/BHP.CFD		30,000	
Saxo CFD Trading Account	72300/SaxoCFD	0		10,000
Bank	60400/Bank Code			20,000

Revalue the investment

At year end, the trading account will need to be revalued to ensure it is recorded at market value

Please refer to the following link for instructions on doing this:

[Manually Revaluing Security Prices](#)

References

1. ATO ID 2007/57: Has a trustee of a self managed superannuation fund (SMSF) contravened the Superannuation Industry (Supervision) Act 1993 (SISA) by depositing fund assets with a CFD provider as security in relation to the fund's obligations to pay margins?

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