

Sales/Use:

Washington: Certain Intercompany Transfers Under Centralized Money Management are Not Subject to Tax

Centralized money management, Wash. Dept. of Rev. (6/21). The Washington Department of Revenue (Department) explains that certain money management arrangements offered by parent corporations do *not* create a taxable activity for Washington business and occupation (B&O) tax purposes; however, some related fees for services provided may be taxable. Specifically, the Department states that the mere internal transfer of funds from parent to subsidiary, or from subsidiary to parent, as part of a centralized money management arrangement is *not* income subject to B&O tax, as recording interest income in accounting records as part of an internal cost management accounting system generally does *not* create a taxable event for B&O tax purposes – cautioning that the parent company must not actually receive interest payments, and the subsidiary must not be obligated to pay an interest charges under such arrangements. The Department also warns that some fees earned for providing centralized money management services are considered income taxable under the service and other activities B&O tax classification; these fees “may be charged by a bank or financial institution, or from a parent company to a subsidiary.” Please contact us with any questions.

URL: <https://dor.wa.gov/get-form-or-publication/publications-subject/tax-topics/centralized-money-management>

— Robert Wood (Seattle)
Senior Manager
Deloitte Tax LLP
robwood@deloitte.com

Myles Brenner (Seattle)
Senior Manager
Deloitte Tax LLP
mybrenner@deloitte.com

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