CompanyFormationWiki
The free encyclopedia of company formation
companyformationwiki.com

Subsidiary and branch

From CompanyFormationWiki, the free encyclopedia of company formation · Last updated 28 November 2026

In short: A subsidiary is a separate company incorporated in the new country and owned by the parent; its liability is limited to its own assets. A branch is not a separate legal person: it is the foreign company itself, registered to do business locally, so the parent is liable for its debts and the branch is usually a permanent establishment for tax.

Subsidiary: its own legal personality, board and accounts; taxed as a local resident company; dividends to the parent may bear withholding tax unless reduced by treaty or directive. Banks and customers often prefer dealing with a local company.

Branch: faster and cheaper to set up in some countries, no separate share capital, but the parent's accounts and documents must be filed locally (in the EU under the company law directive, 2017/1132), and profits attributable to the branch are taxed locally as a permanent establishment. Some countries also charge a branch profits tax on remitted profits.

See also

- Holding company
- Permanent establishment

References

1. Directive (EU) 2017/1132 relating to certain aspects of company law . EUR-Lex. Accessed November 2026.
2. Companies Act 2006, section 1159: Meaning of “subsidiary” etc. . legislation.gov.uk. Accessed November 2026.

Source: https://companyformationwiki.com/subsidiary-and-branch/
Version: last updated 28 November 2026. Check the online version for later changes.

© 2026 CompanyFormationWiki. CompanyFormationWiki is a free encyclopedia of company formation, business structures and international tax across 222 jurisdictions. General information, not legal or tax advice. Confirm with the official registry, the tax authority or a qualified adviser before acting.