

Wholly Owned Subsidiary - UPSC Notes for GS3

The first Companies Act after independence was passed in 1956, which governed business entities in the country. The 1956 Act was based on the recommendations of the Bhabha Committee. Aspirants should be aware of important topics related to Finance and Economics in order to score more marks in the [IAS Exam](#).

The topic Wholly Owned Subsidiary can be related to Indian Economy of the General Studies Paper 3 in the [UPSC Syllabus](#). Indian economy/Economics is part of both the UPSC Prelims Syllabus and the UPSC Mains Syllabus. This highly relevant and scoring subject often poses a challenge to IAS aspirants, as they find it hard to make notes balancing both the static and dynamic components of the topics.

What is a Subsidiary Company?

A subsidiary company is one that is controlled or owned by another company. The controlling company is called the parent company and the subsidiary is also called the daughter company. It can be a corporation or a limited liability company. It can also be owned by the state or government.

- Subsidiaries are separate legal entities for taxation and regulatory purposes. This way, they are different from divisions within a company.
- Generally, a majority of shares of the subsidiary company are owned by the parent company.
- A company can also have multiple levels of subsidiaries. That means a subsidiary can also have further subsidiaries under it.
- In case of multiple levels, the parent company has direct control over the first-tier subsidiaries and indirect control over the subsidiaries in the subsequent levels.

What is a Wholly Owned Subsidiary?

A wholly-owned subsidiary is one whose 100% shares are held by the parent company. Whereas a company can become a wholly-owned subsidiary through an acquisition by the parent company or having been spun off from the parent company, a regular subsidiary is 51% to 99% owned by the parent company.

Wholly Owned Subsidiary in India

According to the Companies Act 1956, a company will be referred to as a Wholly Owned Subsidiary when all the shares are owned by the parent company.

Click on the link to learn more about [Companies Act: UPSC Economy Notes](#).

