

A Research Paper on Grounds for Lifting the Corporate Veil

PRIYA¹, SURYAPRATAP SINGH PUNDIR²

^{1,2} B.A.LL.B 4th Year, Quantum University Roorkee, Uttarakhand

Abstract- The said principle, as established through the seminal English ruling of Salomon v. Salomon & Co. Ltd. (1897), guarantees that a company's rights and liabilities shall remain independent of those individuals controlling or owning it. Amongst the various benefits that come with the application of the separate legal entity doctrine include perpetual succession, limited liability, transferability of shares, and an independent pool of assets. Unfortunately, while the features of the corporation may be seen as advantages, they can be easily abused, hence the creation of ways through which courts or legislators can lift the corporate veil, a rare practice that will be discussed further in this research paper. This study seeks to analyze the principles of lifting the corporate veil through landmark cases like Gilford Motor Co. v. Horne, Jones v. Lipman, and significant Indian rulings including Life Insurance Corporation of India v. Escorts Ltd., and Delhi Development Authority v. Skipper Construction Co. The paper presents a case study and comparison which demonstrates that while the process of piercing the veil helps in ensuring accountability and avoiding the misuse of corporate personality, there is a need to exercise great care on part of the courts while doing so. Conclusion The paper ends with suggestions regarding the criteria for making sure that piercing of the veil remains consistent going forward.

Keywords: Corporate veil, Piercing the veil, Company Law, Public interest, Corporate Fraud, Indian Corporate Jurisprudence, Judicial Accountability

I. INTRODUCTION

This research paper seeks to investigate the statutory provisions, judicial decisions, and new challenges, especially in cases involving corporate groups, insolvency situations, and economic crimes. Lifting of the corporate veil is a very important but difficult concept in corporate law. In essence, it is a doctrine that seeks to subvert the sacrosanct corporate entity by allowing the acts of the company to be attributed directly to the individuals behind the corporation. This doctrine is not automatic but occurs only when

there is need to act in order to correct any mischief that the corporate personality might be used for. Indeed, it has been realized that the corporation may be misused by the persons involved for fraudulent acts, evasion of duties and obligations, tax evasion, manipulation of group companies, among others.

The corporation, as a legal entity, stands among the greatest inventions in business and economics. As an organization created largely on the basis of the separate legal personality theory, the company becomes regarded as a separate legal entity from its members, stockholders, and directors. The separate legal personality doctrine, articulated in the famous English case of Salomon v. Salomon & Co. Ltd. (1897), provides the bedrock for corporate law by establishing the company as a separate legal entity from its stockholders and directors. Nevertheless, judges and legislatures have found that separate legal personality may be used for committing fraud, avoiding obligations under contract or law, or simply doing injustice. At such times, the concept of lifting or Piercing of the corporate veil gives rise to situations wherein judicial bodies ignore the corporate status altogether and fix legal accountability on the individuals controlling the enterprise. In the present-day business milieu, there is a necessity to know about the lifting of the corporate veil and its significance. The modern business world consists of many subsidiaries, holding companies, joint ventures, and other types of companies. The multiple layers of corporate groups make it difficult to establish accountability since there could be problems in determining who the beneficial owners are. There have been instances wherein corporate frauds, economic crimes, and scams have necessitated greater focus on the limitations of the doctrine of corporate entity. The piercing of the corporate veil plays a crucial role in maintaining the

integrity of corporate affairs apart from being just an exception to the rule.

While being of great significance, the doctrine itself remains inherently ambiguous. The judicial attitude to the issue of veil lifting is not the same throughout common law countries and, indeed, within one and the same country; moreover, different judgments can be found even in one particular case depending on the peculiarities of circumstances. Thus, in the case of *Prest v. Petrodel Resources Ltd.* (2013), the English Supreme Court established a more stringent approach in regard to veil lifting, emphasizing that veil piercing takes place only where there was a use of the company to cover up misconduct rather than avoiding duties. Indian courts, in their turn, take a broader approach.

predictability and corporate governance. In terms of the business itself, uncertainty about the time when courts would pierce the corporate veil may create doubts. On the other hand, for both regulatory bodies and the judiciary, a rigid approach to veil-piercing may leave space for potential abuse of the corporate form. Traditionally, the veil-lifting doctrine developed due to judicial ingenuity and legislative measures. The initial judicial decisions in this area were conservative because they were based on the idea that piercing was possible only where clear exceptions were present. This idea is illustrated by cases such as *Gilford Motor Co. v. Horne* (1933) and *Jones v. Lipman* (1962) highlighted how the courts had been willing to penetrate the corporate veil when the corporation had been formed solely to shirk its contractual obligations or commit fraud. In those cases, it became clear that where the corporate form was being abused to subvert the interests of the public or carry out some wrongdoing, the courts would be justified in “peering behind the veil” and discovering who was actually involved. The same thinking has been reflected in the Indian judicial system through such cases as *Delhi Development Authority v. Skipper Construction Co.* and *Life Insurance Corporation of India v. Escorts Ltd.*

There will also be a need for the use of the veil lifting doctrine in accordance with the legislative purposes. In the end, the aim of this study is to show how the doctrine of veil lifting plays an important part in

ensuring the purity of corporate law without doing away with the advantages of incorporation. In the paper, it will be shown that despite the limited application of the doctrine, it still plays an essential part in ensuring that the structure of the corporation is not misused for any form of fraud. A clearer and more structured approach to the issue may bring about some advantages. Considering all these conflicts, a holistic view of the doctrine, its purpose, history, judicial use, and limitations is necessary. This research paper will critically discuss the doctrine of lifting the corporate veil from doctrinal, comparative, and practical standpoints. This will involve exploring the history of the doctrine, its evolution in English and Indian courts, the statutes allowing veil lifting, and the cases where the doctrine was applied. Additionally, this study will investigate modern problems arising in relation to corporate groups, fraud prevention, bankruptcy law, and corporate governance regulations. Through an analysis of the relationship between corporate personality and autonomy, the researcher will try to establish when it is appropriate to lift the corporate veil and the rules to be followed in doing so.

II. EVOLUTION OF THE CORPORATE PERSONALITY CONCEPT

The evolution of the theory of corporate personality In the era of the Industrial Revolution, the evolution towards corporate personality also witnessed an important leap. The quick pace at which industries developed during the 18th and 19th century necessitated larger amounts of capital, sophisticated corporate organizations, and the adoption of risk-sharing systems. The existing partnerships failed to meet the financing requirements, which resulted in calls for reforms that would ease the process of incorporation. An important milestone in this process was In the United Kingdom, there was the Stock Companies Act of 1844, which enabled the formation of companies through registration and not through the issuance of a royal charter or a special act of Parliament. Limited liability is another significant achievement since it guaranteed that the private property of the shareholders could not be used to repay any debts of the company but the shareholders could only lose what they had invested.

In the 20th century and the current age, the concept of corporate personality has evolved even more in order to adapt to globalization, technology, and multinational companies. There were additional options for companies to structure their operations, form subsidiaries, and establish corporate groups in different jurisdictions. In terms of the concept of corporate personality in the current day and age, there is a list of features that must be present for a corporation to be granted separate legal personality. Among those, the ability of owning property, making contractual agreements, suing or being sued, having perpetual existence, and providing limited liability protection to stockholders stand out. Nevertheless, the development of this concept has brought about certain problems. Namely, the increasing complexity of corporate organization and instances of misuse such as fraud or tax evasion has led to the creation of doctrines like lifting the corporate veil.

III. THE CONCEPT OF CORPORATE VEIL

The notion of corporate personality has slowly developed over a long period of time through the advancement of legal, economic, and social conditions. The roots of corporate personality can be traced to ancient civilization when collective bodies such as religious orders, councils, and guilds were allowed to possess property, make contracts, and operate as a whole without being dependent on the activities of their individual members. Collective bodies were recognized by Roman law through the terms *universitas* or *corpus*, which enjoyed some degree of independence and perpetuity. These collective bodies may not have been similar to the modern-day corporation but nonetheless contributed to the basic concept that a number of individuals can be considered as one single entity for particular purposes. In medieval times, the development of trade guilds, universities, and churches helped strengthen the notion that corporate bodies are legal personalities having perpetual existence, allowing them to possess property and conduct business even when there is a change in their members.

One of the crucial developments that happened in the development of the corporate personality was the emergence of chartered corporations during the period from the 16th century to the 18th century. The

rulers of Europe issued charters for trading firms like the East India Company and the Dutch East India Company, thereby making them independent legal entities capable of engaging in foreign trade and colonization activities. Some of the characteristics that these firms possessed include perpetuity, capacity to sue and get sued, and power to enter into agreements. Despite the restrictions placed on them, chartered companies were the first corporations to exhibit many of the features of a corporation as we know today.

They illustrated the way legally incorporated businesses can pool extensive resources, engage in intricate transactions, and survive well after the lifetimes of the individuals who started these enterprises. The principle of the separate corporate identity was definitively enshrined in law following the House of Lords' landmark decision in *Salomon v. Salomon & Co. Ltd.* (1897). The ruling stated that once the corporation obtained legal existence, it became a distinct corporate personality with independent rights and duties, and this fact was unaffected by whether one person possessed a controlling shareholding or all of the shares of the corporation. *Salomon* established that all the debts of the company were owed by the company itself and that they did not belong to its shareholders. In doing so, *Salomon* laid down the separate legal entity rule, forming the basis of today's modern corporation law.

Starting from early collectivities to contemporary multinational companies, the process of evolution of corporate personality illustrates the ability of law to adapt itself to new economic realities. The development of corporate personality explains the necessary background required for courts to go beyond the corporate personality at times. In general, corporate personality is evolved keeping in view the need for economic development on one hand and the requirement for legal protection on the other hand.

Significance of separate legal entity

Among the highly recognized benefits of a separate legal entity is that of limited liability, which works to protect the shareholders from unlimited financial loss since their financial obligation is restricted to the share value that is unpaid for. As such, the personal assets of the shareholders cannot be used to satisfy

any claims from the creditors of the firm. Limited liability serves as a vital tool in promoting investments because people are likely to invest in the firm knowing very well that no matter what happens, their finances will remain intact. This has been a major reason behind economic growth through the years, especially during the Industrial Revolution era whereby businesses required a lot of capital to grow. The theory also emphasizes efficiency in management through separation of ownership and management. Ownership involves the shareholders, who do not need to take part in management on a daily basis; instead, they can delegate management to a board of directors or experienced experts. As a result, there will be expert involvement in business management, since the firm can then be run by people who have knowledge and skills needed for this task. Furthermore, such management will be more rational, and will involve corporate governance practices as well.

Perpetual succession, on the other hand, is achieved through separate legal personality, in that the corporation continues existing regardless of changes or death among its members such as its shareholders and management. It is important for the smooth implementation of projects and investments and for ensuring stability within the organization. Perpetual succession provides the corporation with an advantage in terms of building trust within creditors, associates, and even among its workers, in that its existence is independent of any individual member. Thus, it can plan long-term projects, make long-term arrangements, and remain operational without disruption.

Another benefit is the transferability of the shares of the corporation, which improves the liquidity aspect of a firm. This means that people will be able to easily withdraw their funds or join in investments within the firm without any issues related to legality since they are not affecting the legal existence of the company in any way. This is an important characteristic, as it aids in the creation of stock markets and the raising of finances in general. In addition, the autonomy of the corporation guarantees its continued operations without any hindrances that may arise as a result of personal disputes. The theory of separate legal entity is one of the most critical

aspects of corporate law. It brings along numerous benefits for business and economics, and it also has a significant impact on the process of legislation. As mentioned earlier, upon incorporation, a company becomes a different entity from its stakeholders and other parties involved. Therefore, it can do certain actions in its name like buying and selling assets, signing contracts, suing others or being sued and even existing beyond the lifetime of the stakeholders. In addition, assets owned by the firm belong to the firm itself and not to any individual shareholder, no matter what percentage of stocks that individual may own. There is a need for this arrangement because in business transactions, it is crucial that one deals only with the independent legal personality of the firm and not with its members as individuals. The importance of the concept of separate legal entity is that it helps strike a balance between economic efficiency, legal certainty, and investor security. The separate legal entity gives us the tool to achieve stability, encourages investment, enables growth, and treats firms as independent entities within the law. In the absence of this idea, neither modern corporate organizations nor international business activity nor economic development can take place as we know it today. On the other hand, the benefits of separate legal entity point out why courts are so reluctant to lift the corporate veil.

IV. EMERGENCE OF VEIL LIFTING IN INDIAN CORPORATE JURISPRUDENCE

Corporate devices employed for drawing money or non-payment of debts. While there is no strict test evolved by the Indian courts for veil piercing, their judgments indicate an underlying principle: The corporate veil shall be lifted where its maintenance defeats the ends of justice or facilitates abuse of the process of incorporation. In this sense, the concept of veil piercing is a judicious one in India, in that it takes into consideration both the separate personality of corporations and their abuse for private gain. It would allow the company to hide behind its fictional personality and evade any sort of responsibility. However, it is pertinent to note that judicial decisions have expanded the application of veil piercing to include situations involving protection of creditors, protection from investor fraud, and compliance with foreign exchange regulation. It can be said that the

landmark case which led to a departure from the previous conservative stand on veil lifting was delivered by the Supreme Court in the case of Life Insurance Corporation of India v. Escorts Ltd. (1986). In this case, the Supreme Court recognized that the corporate veil was indeed a basic principle of law; however, it could be pierced in the larger interest of justice, national security, and enforcement of statutes. Although the court adopted a prudent approach, it clearly stated that the corporate veil could never be pierced to obscure the identities of actual persons behind the corporate entity whose personality was abused for some other illegal purpose. In cases of extensive fraud and issues concerning the general welfare of the community, a more aggressive approach was followed.

It was a major move towards the adoption of an equitable attitude towards veil lifting, particularly when dealing with offenses against the economy, violations of consumer rights, and exploitation of the corporate group system. Indian courts came to realize that many fraudulent promoters used the corporate mechanism to establish a series of companies to deceive regulatory agencies and their victims. Therefore, there was a need to analyze the substance behind each transaction and not just focus on the organizational form of the corporations. The doctrine of veil lifting has developed in Indian corporate law practice because of the judicial perception that while the corporate form is a necessary factor in economic development, it cannot be misused to perpetrate fraudulent activities and evade the provisions of the law. The Indian courts derived the concept of separate legal entity from the English common law case of *Salomon v. Salomon & Co. Ltd.*

Nevertheless, with the development of the Indian economy and the cases of abuse of incorporation came the recognition of situations where strict observance of the corporate personality will cause injustice. It was the start of the judicial trend of disregarding the corporate veil for the purpose of ascertaining the actual persons who control a corporation. In India, the courts noted that although the principle of incorporation provides a certain legal entity to the corporation, it is relative to its nature of abuse or misuses. The trend in Indian jurisprudence suggests the recognition of the fact that corporate law

should never be separated from ethics, socio-economic conditions, and public interests. In the last few decades, with the emergence of various business linkages, shell corporations, and corporate groups, the Indian judiciary has become more practical regarding the principle of corporate personality. Veil piercing has been done in determining beneficial ownership, tracing illegal activities related to money laundering, identifying actual control in insolvency cases, and ensuring compliance with the Companies Act, SEBI provisions, and income taxation laws. With the passage of the Insolvency and Bankruptcy Code, the courts were given additional power to disregard

In addition, the use of corporate form to divert money or evade payment obligations. While there is no precise rule regarding the piercing of the veil by Indian courts, one can find a common thread in the rulings made thus far. This thread is that “the veil is lifted where its preservation results in injustice or abuse of corporate status.” Hence, the development of the concept of veil lifting in Indian law is an example of compromise—an acknowledgment of the principle of separate entity, but without its abuse.

V. CHALLENGES AND INCONSISTENCIES IN JUDICIAL APPLICATION

While it is clear that the theory of lifting or piercing of the corporate veil is extremely important for protecting the doctrine of corporate personality from being abused, it has always been subject to harsh criticism due to its inconsistent nature. Indeed, the fact that courts in various countries recognize the need to lift the veil whenever the company uses the corporate form incorrectly does not necessarily mean that there are any specific criteria according to which the veil has to be lifted. Instead, courts exercise their discretion to determine whether the veil should be lifted or not on a case-by-case basis. This, in turn, results in conflicting precedents that fail to provide consistent guidance. In fact, the main problem that makes veil lifting a particularly difficult and confusing topic can be identified in the need to find the right balance between maintaining corporate personality and preventing fraudulent activities or breaches of law. In this regard, some courts have

based their decisions on such principles as fraud prevention, equity, or even public policy.

A significant obstacle in applying judicially is that there is no definitive, objective, and universal test for piercing the veil. For example, the phrase “sparingly,” “reluctantly,” or “in exceptional circumstances” is commonly used to describe situations where the doctrine must be applied. In English jurisprudence, some rulings suggest that the veil can be pierced if and only if the company acts as an artificial veil, while others rely on the broader concepts of justice or equity. The landmark ruling *Prest v. Petrodel Resources Ltd.* (2013) was one attempt to reduce the number of occasions in which the corporate veil was lifted by dividing them into concealment and evasion. This would mean that if the corporate veil were to be lifted, it could only be done under the latter doctrine, which involves evasion. Nevertheless, this standard has been challenged by later cases. The Indian judiciary takes an even more fluid approach than its English counterparts. For instance, while the court case of *Indian Life Insurance Company v. Escorts Limited* warn of caution and highlight restricted situations, whereas decisions such as *Skipper Construction* make use of veil lifting in a more general sense in order to avoid an injustice or to safeguard the rights of consumers. Due to lack of a standard approach in all cases, the courts have had to resort to subjective judicial decisions in lieu of legal standards. Another area of inconsistency within the judiciary arises from the approach taken by courts toward group corporations. as an integrated economic entity, particularly when subsidiaries are wholly owned subsidiaries of parent companies. Such an approach generally emerges in labour cases, tax disputes, and consumer law cases, where courts are more concerned about doing justice rather than maintaining corporate separateness. In contrast, in the case of commercial and contract disputes, courts tend to adhere to the classical approach of separate legal entity doctrine, thereby not holding parent companies liable for the actions of their subsidiaries. The different approaches have resulted in ambiguity for corporate groups that are forced to deal with divergent principles according to the nature of the litigation. In multinational companies, for example, the unpredictable application of veil-piercing principles by Indian

courts in regulatory and public interest litigations, as opposed to commercial litigation, makes the operation of multinational firms within India a daunting task.

A third source of inconsistency stems from the application of various doctrines for the purpose of lifting the veil of incorporation. Courts have applied numerous theories such as fraud, agency, facade, interpretation of statutes, tax evasion, group enterprise, beneficial ownership, and public policy among others to justify the lifting of the veil. The difference in the requirements of each of the various doctrines implies that the decision on a particular veil-piercing matter will depend heavily on the particular doctrinal foundation a judge might decide to base his/her judgment on. For instance, in matters concerning taxes and revenues, the courts tend to apply the doctrine easily compared to other matters such as contracts where the courts are less likely to pierce the veil unless there is substantial proof of fraud. In addition, the application of the single economic unit theory to determine whether the courts should pierce the veil of incorporation between groups of companies varies significantly with judges applying either of the two doctrines at their discretion.

Another issue that arises from the intricacies of modern business organizations is how they complicate the application of judicial principles uniformly. With the advent of multinational companies, corporate stratification, complex ownership structures, subsidiaries, and special vehicles, finding who actually controls or owns the businesses has become a challenge. In some instances, judges have been required to trace the corporate connections to determine the true nature of the entity in question; that is, whether a particular company operates independently or it is just an instrument of deception. In most cases, judges need to apply subjective reasoning based on circumstantial evidence since direct proof of fraud is hard to obtain. Besides, the quick development of offshore shell companies and the digitization of financial structures adds to the complexity of the issues faced by judges. For instance, in India, there are numerous instances in which companies have been established for the sole purpose of diverting money, evading taxes, and

conducting economic crimes. In such circumstances, the lifting of the veil is understandable, but it becomes problematic to disAn additional problem arises from the connection between the lifting of the veil by the judiciary and the statutory provisions that implicitly or explicitly allow the court to ignore the corporate personality. Some laws, like the tax statute, environmental law, foreign exchange law, consumer protection act, and companies law, have provisions under which directors or persons are held responsible in certain cases. The courts have interpreted some of these statutory provisions as veil lifting while in others, they interpret them independently of veil piercing. This makes it hard to distinguish whether the courts are making decisions on the basis of statutory provisions or equitable doctrines of veil piercing. For instance, under the companies law, directors are held personally responsible for fraud or false statement, but some courts disagree whether this is a case of veil lifting. In cases involving insolvency, some tribunals look beyond corporate entities in order to identify fraud.cern where legal stratification ends and deception begins.

Another problem arises from the judicial trend of equating moral outrage with proper legal reasoning when piercing the corporate veil. The court expresses intense dissatisfaction with corporations engaging in unethical conduct and employs veil lifting as an effective mechanism for placing responsibility on such entities, despite the possibility of the insufficiency of the legal basis for doing so. While that is beneficial to a larger scheme of justice, this approach introduces uncertainty into veil lifting. On one hand, courts have been known to pierce the corporate veil considering the general policy concerns without stating clearly defined legal criteria. On the other hand, in certain situations, courts have failed to apply veil lifting despite the existence of questionable activities by the corporation, justifying their decision based on the absence of a sufficient legal basis for the application of veil lifting.

whose use remains dependent on individual cases. The difficulties associated with judicial application of veil lifting can be traced to various factors including lack of a standardized test, diversity in doctrines, complicated business structures, overlap between judicial and legislative processes, lack of consistency

when dealing with group companies, as well as the discretionary nature of the doctrine. Although the necessity of using veil lifting to ensure justice cannot be understated, the fact that its limits have not been clearly defined has made it difficult for the doctrine to remain coherent. In order to solve these difficulties, there should be measures put in place either legislatively or judicially, which should strike the right balance of corporate autonomy and liability. Overall, the combination of these difficulties means that businesses, investors, and lawyers are operating in a situation where it is not clear about liability issues in relation to corporations. Corporations can find themselves being liable for actions of directors or shareholders while victims of corporate malpractice may be faced with difficulty overcoming judicial reluctance in certain cases. Time after time, the legal scholars have emphasized the need for legislative guidance or judicial framework for defining standards for veil lifting. HOWEVER, in order to be able to deal with new forms of corporate wrongs, some degree of discretion is inevitable, although it can lead to ambiguity.

VI. CONCLUSION AND SUGGESTIONS

The proper course of action, therefore, would be to begin by re-affirming the values that underpin the doctrine of corporate personality: integrity, accountability, predictability, and proportionality. The legal concept of a separate legal entity has made possible the creation of value through risk sharing and professional management. It cannot be allowed to fall prey to an overzealous application of veil piercing. At the same time, the extraordinary nature of the exception means that it needs to be strong enough to pierce the corporate veil in order to expose culpable parties who have sought refuge from liability and criminal activity through the use of corporate personality. To achieve such a balance, it will be necessary to devise clear criteria which limit judicial discretion but do not excessively constrain courts in dealing with individual cases. In light of the above discussion, the recommendation to come out of this research is that the doctrine ought to be constructed on the basis of a principled, graduated doctrine supported by clear evidentiary criteria and proportional relief.

In light of these principles, the first important recommendation that follows is the formulation of a consistent judicial system regarding the lifting of corporate veils based on clearly defined grounds and an evidentiary standard hierarchy. The judiciary could use a tripartite classification system: (i) Concealment cases, where the corporation serves as a vehicle of disguise for real people or beneficiaries; (ii) Evasion cases, wherein incorporation or intermediary companies serve as a means of evading legal responsibilities; and (iii) Abuse cases, where corporations are used as instruments for committing fraudulent acts, embezzlement, or economic crimes. For each case type, the court should define the burden of proof (clear and convincing evidence for cases of fraud and evasion; and preponderance of evidence for cases of concealment, where it can be shown that the separate existence of the corporation undermines the judicial process).

The second recommendation is for the legislative formulation of principles for their application through judicial and administrative interpretation. Legislative bodies and rule-making institutions might adopt interpretive clauses delineating instances when judges can ignore corporate personality, as well as the connection between statutory liability systems and the lifting of the corporate veil on an equitable basis. These interpretive clauses must stress that The other principles include misconduct, necessity (involving the court examining whether statutory options and liability of directors/officers would be adequate), and transparency (mandating the parties using veil piercing to make corporate charts available). Appropriate statutes may set out rebuttable presumptions in situations where there is stripping of assets before bankruptcy, related party transactions without arm's length evidence, and violations of mandatory disclosures. Statutory direction does not entail rigidification of the doctrine but rather serves as a framework upon which proper application can be made with judicial latitude maintained for difficult cases.

The third recommendation is on transparency regarding beneficial ownership and the use of corporate registers. The problem of many inconsistencies is caused by asymmetry of information, with courts not knowing which party or

parties exercise control and beneficial ownership of the enterprise. The improvement of corporate registers, so that they contain information about beneficial ownership, the chain of control and ultimate parents, and update their information rapidly and make it available to courts and regulators, will solve this problem considerably. If there is reasonable need to preserve confidentiality of information, a tiered access may be provided, making it possible for regulatory authorities, the courts and certain interested parties to have access to accurate information upon application under a protective order. Adequate penalties for misinformation in corporate registers together with the audit trail and cross-checking against tax and security filings will act as deterrents to hiding.

The fourth recommendation is that regulators set up industry-specific standards for the industries in which corporate abuse tends to occur, such as those relating to infrastructure, real estate, financial services, extractive industries, and digital platforms. Every industry poses different risks; real estate involves potential shell companies being used to scam purchasers; financial services could entail the use of layered special purpose vehicles (SPVs) as a means to arbitrage regulations; digital platforms could involve complex licensing and intellectual property rights holding vehicles. In each case, regulators, consulting with industries, can issue guidelines about what types of business structures should be considered red flags; what must be disclosed in terms of intercompany relationships, for example; and best practices, such as standardized intercompany contracts with appropriate pricing.

The fifth recommendation revolves around evidential and procedural improvements designed to facilitate principled veil stripping. These include streamlined discovery procedures pertaining to corporate control and funding, which can require parties to produce an organizational chart, resolution for intracompany transactions, loan documents, and beneficial ownership verification letters. Dedicated case management pathways for more complicated business law cases can provide prompt and concentrated resolution. Testimony from experts (in corporate governance principles, group accounts, and insolvency issues) should be promoted, and neutral

experts should be appointed by the court when expert opinions from litigating parties conflict with one another. Standardized case reports concerning veil-piercing litigation, detailing justifications, evidence used, and remedies imposed, could prove valuable in appellate advocacy.

The final recommendation is for proportionate and customized solutions to become integral components of veil lifting. Full piercing (personal liability of controllers) should be considered only in case of fraud or evasion of liabilities in particularly serious instances. If circumstances call for a moderate approach, then courts have the option to apply a proportional response in the form of: reverse veil piercing to access property of the company which is under the control of wrongdoers; forfeiture of wrongful gains; selective liability of directors or officers; transactional avoidance (setting aside fraudulent transactions); and governance-based approaches (appointing independent monitors or changing the structure of the management body).

The seventh recommendation is about imposing liability on groups for enterprise activities. Courts need to take a principle-based approach and differentiate between group efficiencies and abuse of control. Presumption of group liabilities can be confined to situations where there is excessive control by the parent companies over their subsidiaries (such as unified cash flow control, centralized decisions that are not subject to any consideration from subsidiaries, or common directors who implement strategies without any other consideration). On the other hand, in situations where subsidiaries have independent boards of directors and arm's length documents, courts must avoid making any presumptions regarding group liabilities without any proof of abuses.

Eighth, there should be consistency between insolvency practice and veil lifting doctrines. Insolvency courts often deal with issues such as dissipation of assets, preference to related parties, and transfers after bankruptcy filing. The introduction of guidelines that allow the examination of who controls the company and the true ownership of its shares, along with the tools of asset avoidance and disqualification of directors, can help in dealing with

the issue without necessarily using the doctrine of veil lifting. In addition, it will be helpful to bring consistency in the timing of action, evidence requirements, and remedies under insolvency and corporate laws.

Another proposal for consideration could be the coordinated efforts in data exchange between corporate registrars, securities commissions, tax authorities, bankruptcy courts, and law enforcement bodies. The problem of corporate wrongdoing often extends across different legal jurisdictions. Cooperation between the authorities and information exchange can help cut the duration of any legal process and make veil-piercing unnecessary in many instances. Memorandums of understanding and analysis of information obtained under the provisions of one law should be used to support proceedings initiated under another law.

The tenth recommendation pertains to capacity-building of the bench and bar. Training in new corporate forms, financial technology developments, international holding companies, and forensic accounting will enable the bench to address intricate fact scenarios. The use of benchbooks or practice manuals that include leading cases, principles, evidentiary tools, and remedies will enhance judicial consistency. Professional institutions can design training programs for law students and practitioners to deepen their understanding of corporate responsibility, beneficial ownership, and economic crimes to ensure future compliance with sound veil-piercing standards.

The proposed ideas outline a cohesive strategy from one of great reliance upon judicial discretion to one that is principled, evidence-based, and proportional in line with contemporary realities surrounding corporations. The point is not to weaken judicial power but rather to order it in such a way that statutory direction, accountability, industry norms, process improvements, and appropriate relief options are incorporated in order to make veil piercing an exceptional but potent tool of justice. In doing so, the positive effects of incorporation (such as risk apportionment, raising of capital, perpetual succession, and management efficiency) would continue to be enjoyed while additional measures

were put into place that would protect against its abuses. This would result in increased predictability for corporations and added reassurance to all parties involved that while the corporate form will be upheld, justice will never be subverted through it. In a time of increasingly intricate international business dealings wherein corporate ingenuity goes hand-in-hand with ever-evolving corporate abuse, the courts must be able to respond accordingly with order, cohesion, and strategic vigor.

This sophistication in relation to uncertainty is further compounded by the ever-evolving corporate organizational structures. It becomes difficult for courts faced with a task of establishing true control or ownership when dealing with multi-tiered ownership structure, foreign subsidiaries, SPVs, shell companies, and other sophisticated corporate structures. The lack of common standards for establishing evidential threshold means that there is wide discretion in courts that use circumstantial evidence or equity in making decisions. This leads to inconsistency of decisions since the interpretation of the veil lifting varies according to the judge or jurisdiction involved. Relatedly, the overlap of statutory mechanisms (such as corporate laws, tax regulations, securities laws, and laws on foreign exchange, environment and consumer protections) and equity veil lifting doctrines causes problems, as sometimes courts will distinguish statutory liabilities from equity veil lifting while in other cases, they treat it as a form of equity veil lifting. Another complicating factor is the issue of group enterprises as while in some cases they follow an economic unity theory in tax and labor issues, in other cases, they follow separate personality in contractual relationships, leading to inconsistencies.

The examination of the issues and contradictions in judicial treatment of the veil lifting doctrine shows an interesting interplay between law, policy, and practice in the modern business world. In essence, veil lifting is needed as a measure aimed at preventing abuse of incorporation since the corporate veil must not be used to facilitate fraud, bypassing legislation, or undermining the common good, but it should not be done too often as this will render the concept of corporate veil meaningless. Corporate personality. The difficulty lies in calibrating this

intervention. Across cases and contexts, courts have oscillated between a formalist adherence to corporate separateness and an equitable willingness to look beyond form to substance. This oscillation has resulted in a jurisprudence that is rich in moral purpose but uneven in doctrinal clarity. The absence of a uniform test, the proliferation of disparate justificatory grounds (fraud, façade, agency, group enterprise, statutory look-through), and the growing complexity of corporate architectures collectively produce unpredictability that burdens both legitimate business planning and effective enforcement against misconduct. The overall conclusion is that while the judiciary has preserved corporate autonomy and accountability in difficult circumstances, fragmentation in principles has hindered coherence, leading to uncertainty that undermines commercial confidence, regulatory effectiveness, and the very credibility of corporate law as a predictable framework for organizing economic activity.

REFERENCES

- [1] Salomon v. Salomon & Co. Ltd., 1897:22.
- [2] Gilford Motor Co. Ltd. v. Home, 1933:935.
- [3] Jones v. Lipman, 1962:1:832.
- [4] Life Insurance Corporation of India v. Escorts Ltd., 1986:1:264.
- [5] Delhi Development Authority v. Skipper Construction Co. (P) Ltd., 1996:4:622.
- [6] Prest v. Petrodel Resources Ltd., 2013:34.
- [7] Tata Engineering and Locomotive Co. Ltd. v. State of Bihar, 1964:6:885.
- [8] State of U.P. v. Renuagar Power Co., 1988:4:59.
- [9] Bakshi PM. Corporations and the Corporate Veil, Journal of Indian Law Institute, 1999.
- [10] Bangia RK. Company Law, Allahabad Law Agency, Latest Edition.
- [11] Singh A. Company Law, Eastern Book Company, Latest Edition.
- [12] Gower LCB. Gower's Principles of Modern Company Law, Sweet & Maxwell.

- [13] Palmer F. Palmer's Company Law, Sweet & Maxwell.
- [14] Mayson, French & Ryan. Company Law, Oxford University Press.
- [15] Companies Act, 2013 (India).
- [16] Securities and Exchange Board of India (SEBI) Regulations.
- [17] The Insolvency and Bankruptcy Code 2016.
- [18] Furmston MP. "Corporate Personality and the Doctrine of Lifting the Corporate Veil." Cambridge Law Journal.
- [19] Ottolenghi S. "From Peering Behind the Corporate Veil to Not Looking at All," Modern Law Review, 1
- [20] Davies P.L. Principles of Modern Company Law.
- [21] Rajak H. "Judicial Disregard of the Company," South African Law Journal.
- [22] Key A. "The Corporate Veil: An Assessment," Common Law World Review.
- [23] OECD. Beneficial Ownership and Corporate Transparency Report.
- [24] Kraakman R. et al. The Anatomy of Corporate Law, Oxford University Press.
- [25] Thompson R. "Piercing the Corporate Veil: An Empirical Study," Cornell Law Review.
- [26] Ministry of Corporate Affairs, GOI – Reports on Corporate Governance
- [27] International Corporate Governance Network (ICGN) Guidelines
- [28] Verma S. "Corporate Veil: Indian Approach to Lifting and Piercing", National Law School Journal
- [29] Companies Act, 2013 (with Rules)
- [30] Companies Act, 1956 (for historical perspective)
- [31] Insolvency and Bankruptcy Code, 2016
- [32] Securities and Exchange Board of India Act, 1992
- [33] SEBI (Listing Obligations Requirements) Regulations, 2015
- [34] SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and Disclosure
- [35] Davies. Introduction (OUP/Clarendon, latest edn). to Company
- [36] Kershaw. Company Law in Context (OUP) Law
- [37] Kraakman R, Armour J et al. The Anatomy of Corporate Law (OUP, 3rd edn).
- [38] Insolvency and Bankruptcy Board of India: ibbi.gov.in
- [39] Legislation (UK): legislation.gov.uk
- [40] BAILII/HUDOC – comparative judgments
- [41] HeinOnline, JSTOR, SSRN – journal access
- [42] SCC Online, Manupatra –