
ADDRESSING JUDICIAL INCONSISTENCY THROUGH A CODIFIED TEST FOR VEIL PIERCING

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ABSTRACT

The doctrine of **separate legal personality** is one of the most fundamental principles of company law, which recognizes a company as an independent legal entity distinct from its shareholders and directors. This concept, often referred to as the “**corporate veil**”, plays a crucial role in encouraging business growth, investment, and limited liability. However, this legal protection is not absolute. Courts have the authority to “**pierce**” or “**lift**” the corporate veil when the corporate structure is misused for fraudulent purposes, to evade legal obligations, or to act against public interest. In the Indian legal framework, the application of this doctrine has been inconsistent and unpredictable. One of the primary reasons for this uncertainty is the absence of a comprehensive and well-defined statutory provision in the Companies Act, 2013. Instead of a clear and uniform rule, the Act contains only scattered provisions related to lifting the corporate veil, leaving significant discretion to the judiciary. As a result, courts have developed their own principles on a case-by-case basis. While judicial discretion allows flexibility in addressing complex **corporate misconduct**, it also creates uncertainty for businesses, investors, and other stakeholders. Different courts have adopted varying approaches, making it difficult to determine when the corporate veil will be lifted. This lack of consistency raises serious concerns regarding corporate governance, investor confidence, and legal predictability in commercial transactions. This research critically examines the reasons behind this inconsistency by analyzing **statutory gaps** and evolving judicial interpretations in India. It explores the tension between protecting corporate autonomy and preventing misuse of the corporate form. The study argues that the current ad hoc judicial approach is inadequate for a rapidly developing economy like India. It suggests the need for clearer legislative guidelines or a well-defined judicial test to regulate veil-piercing more effectively. Such reforms would help ensure greater accountability, transparency, and fairness while maintaining the integrity of corporate personality.

Keywords: Independent legal entity-lifting/piercing corporate veil-evade legal obligation-corporate misconduct-judicial discretion-statutory gaps.

CHAPTER 1-INTRODUCTION

1.1 BACKGROUD AND CONTEXT OF THE CORPORATE VEIL

The concept of the corporate veil is based on the concept in company law that an established company is a separate legal entity from its owners and directors¹. The famous case of *Salomon v. Salomon & Co. Ltd.* Clearly illustrated that the concept of the corporate veil should be followed, where it is stated that “a combined corporation should be treated as separate legal entities, even though the shareholders are different.” The concept of the corporate veil ensures that shareholders are not liable for the debts of the company, except for what they have invested, and that helps in the success of businesses by reducing their risk. Avtar Singh discusses the concept of piercing the corporate veil in his book “Company Law.” He discusses how the concept balances the need to prevent corporate exploitation and the need to restrict liability.²

1.2 STATEMENT OF THE RESEARCH PROBLEM

The doctrine of corporate lifting or piercing the corporate veil is an important concept in company. it allows courts to look beyond the separate legal personality of company where the structure is abused, such as in cases of fraud or unfair act. This doctrine serves as an important safeguard against misuse of corporate protection. However, court has been inconsistent. Court often applies different tests a principle when determining whether the corporate veil should be lifted. The absence of clear statutory guidelines has resulted in uncertainty and unpredictability in judicial decision.

1.3 RESEARCH OBJECTIVES

The research objectives of the present research are as follows:

1. To understand the concept of corporate personality and the doctrine of the corporate veil.
2. To understand the legal principles established in the case of *Salomon v. Salomon & Co.*

¹ Ravi Ranjan Singh, *Research Paper on Lifting of the Corporate Veil*, ISSN: 2455-2194, Volume 7, Issue 4, Page No. 98-103, (2021), Department of Law, Symbiosis Law School, Symbiosis International University, Pune, Maharashtra, India.

² Avtar Singh, *Company Law*, Eastern Book Company, Lucknow, (ed 18th.,2025)

Limited.

3. To understand the grounds on which the veil is lifted.
4. To understand the inconsistency in the decisions of the courts on the issue of piercing the veil.
5. To understand the approaches taken by other jurisdictions on the issue of piercing the veil.

1.4 RESEARCH METHODOLOGY

The methodology adopted in this study is primarily analytical and descriptive in nature. The researcher adopted by the doctrinal method for the research. The doctrinal research is based on both primary and secondary sources of data. The primary sources of data include. However, most of the work base on the research of secondary source of data like judicial decision, books and articles published in journals and websites.

1.5 SCOPE AND LIMITATIONS OF THE STUDY

This research will specifically look into the doctrine of piercing the corporate veil, which is an exception to the rule that a corporation is a separate legal personality and entity³. This is especially true when fraud, misuse of power, or attempting to circumvent legal obligations are concerned. It is also noteworthy that the importance of judicial discretion in applying the doctrine of piercing the corporate veil should be highlighted, as well as the need for a more structured manner in doing so. However, it is worth noting that this study is limited doctrinal approach, without any empirical or practical aspect.

CHAPTER II – DOCTRINAL FOUNDATIONS OF SEPARATE LEGAL PERSONALITY AND VEIL PIERCING

2.1 HISTORICAL EVOLUTION OF CORPORATE PERSONALITY

The Idea of corporate personality changed over time in the history of law. At first, business groups like guilds and partnerships did not have their own distinctive identity that was different

³ Jai Aggarwal and Sharan Ajay Nambiar, *LIFTING THE CORPORATE VEIL UNDER THE COMPANIES ACT, 2013*, ISSN: 2583-0538, Page: 236, School of Law, Bennett University, Tach zone in Greater Noida, Uttar Pradesh, India.

from that of their members. But as trade and industry grew, it became imperative to have a system that would let businesses hold property, make contracts, and sue or be sued on their own. This led to the idea that corporations are their own legal entities. The idea of corporate personality became firmly established in modern company law when the courts recognized that a corporation is its own person after it has been lawfully incorporated. This means that the company is different from its shareholders and directors. This let a company have its own legal identity, which meant it could do business while keeping its members safe from being held responsible.

2.2 THE PRINCIPLE IN SALOMON VS SALOMON & CO. LTD.

The concept of separate legal personality was established in the case of *Salomon v. Salomon & Co. Ltd.*⁴ where the House of Lords ruled that where a company is validly incorporated, it is recognized as being separate and distinct from its shareholders. In this case, although Mr. Salomon, being the majority shareholder, was not liable for the company's debt, it reinforced that the company's liability lies only on the company. This case established two key principles, that of separate personality and that of limited liability only to the amount that an individual is a shareholder in the company.

2.3 THEORETICAL JUSTIFICATION FOR LIMITED LIABILITY

Limited liability is an essential part of corporate law and one of the main reasons why people invest and the economy grows⁵. The concept of limited liability enables people to invest their money in businesses without risking their personal assets. This makes people more willing to invest in businesses, makes people willing to start their own businesses, and makes it easy for people to invest in big economic ventures. The concept of limited liability enables people to share risks equally, and it makes corporate ventures attractive and easy to manage, thus contributing to the growth of the economy. The case of *Lee v. Lee's Air Farming Ltd.*⁶ also recognized the importance of separate corporate personality in supporting limited liability, where the court stated that "a company is legally separate and distinct from its members, and

⁴ *Separate Legal Personality*, (mar.15,2026,11:30 AM) ,<https://www.lawteacher.net/free-law-essays/company-law/separate-legal-personality.php>.

⁵ Frank H. Easterbrook and Daniel R. Fischel, "Limited Liability and the Corporation," (1985) University of Chicago Law Review.

⁶ *Lee v. Lee's Air Farming Ltd.* [1961] AC 12 (PC)

can even enter into legal relationships with its controlling shareholder.”

2.4 CONCEPTUAL BASIS OF VEIL LIFTING

Even though a business is a separate legal entity, courts sometimes look past this to stop people from abusing the corporate structure. When a court "lifts" or "pierces" the corporate veil, it ignores the fact that the company is a separate person and holds the people in charge responsible for what the company does. This principle is used when people use the corporate form to commit fraud, avoid their legal duties, or do something wrong. The courts want to make sure that the rule of separate legal personality isn't used to protect people from justice by lifting the corporate veil. In *Jones v. Lipman*⁷, the court lifted the corporate veil because it found that the company was set up only to avoid transferring property as required by a contract.

2.5 STATUTORY EXCEPTIONS TO CORPORATE PERSONALITY

Statutory exceptions to corporate personality occur when laws provide for personal liability of members or directors⁸. This happens despite the existence of corporate personality. The law provides these exceptions to avoid abuse of corporate personality. Some of these exceptions include liability for misstatements in prospectus, fraudulent business practices, and non-compliance with legal requirements. Directors and officers of the company also face personal liability for non-repayment of application money and for using the company's name. This prevents individuals from using corporate personality as an excuse for escaping legal liability. Hence, these exceptions protect the interests of investors and creditors.

2.6 JUDICIALLY EVOLVED GROUNDS FOR VEIL PIERCING

Over time, courts have come up with a number of reasons to lift or pierce the corporate veil. These grounds are not set rules; they are flexible principles that are used based on the facts of each case. One main reason is fraud or bad behaviour, which is when the company is used to commit fraud or get out of doing what it is supposed to do by law.⁹ The sham or façade principle

⁷ *Jones v. Lipman* [1962] 1 W.L.R. 832 (Ch.).

⁸ *Exceptions to Principle of Separate Legal Entity*, (Mar. 15, 2026, 11:50 AM) <https://www.lawteacher.net/free-law-essays/business-law/exceptions-to-principle-of-separate-legal-entity-business-law-essay.php>

⁹ Dr. Karan Singh Gaur¹, Tarun Kumar Tyagi, *Research paper on grounds for lifting the corporate veil*, ISSN: 2664-6838, Volume 8, Issue 1, Page No. 99-107, (2026).

is closely related. It says that a company only exists to hide the real facts or the identity of the people who run it.

The alter ego doctrine is another important reason. This is when one person or group has so much control over the company that it doesn't exist on its own. In cases where someone tries to avoid paying taxes or following the law, courts also pierce the veil to make sure that legal duties are not avoided by using a corporate structure.

The veil may also be lifted in cases where there is an agency or trust relationship, which means that the company acts on behalf of its members. Undercapitalization and the misuse or mixing of funds are also important factors.

In general, these judicially evolved grounds make sure that the corporate form is not abused and that justice is served.

CHAPTER III-JUDICIAL TRENDS AND INCONSISTENCY IN INDIA

3.1 ANALYSIS OF LANDMARK SUPREME COURT DECISIONS

The paper is a brief overview of four significant Indian Supreme Court cases related to piercing the corporate veil.

*Life Insurance Corporation of India v. Escorts Limited (1986)*¹⁰- In this case, the LIC fought against the transfer of shares to foreign investors. According to the Court, a company is a different entity, but it may be held liable for fraud, bad behaviour, or tax evasion. However, the Court was quick to add, “It is, however, not a ground for lifting the corporate veil to hold a company liable.”

*State of Uttar Pradesh v. Renu Sagar Power Co. (1988)*¹¹ - In this case, the Court examined the possibility of holding Renu Sagar, a subsidiary company, as a separate entity for the purpose of paying electricity duty. According to the Court, if a parent company has full control over its subsidiary, the corporate veil may be lifted to show them both as a single entity.

¹⁰ Life Ins. Corp. of India v. Escorts Ltd., (1986) 1 SCC 264(india)

¹¹ State of U.P. v. Renu Sagar Power Co., (1988) 4 S.C.C. 59

*Delhi Development Authority v. Skipper Construction Co. (P) Ltd. (1996)*¹², the Supreme Court held that “the persons involved in this real estate business must be held responsible... where the corporation has been used to shift funds to avoid delivery of the properties that were promised.” The corporate structure was held to be a “fraud device.”

*Vodafone International Holdings BV v. Union of India (2012)*¹³, the Court held that “merely because a corporate structure is complex, does not mean that the corporate veil must be lifted.” The Court further held that “separate personality must be respected provided the corporate structure is ‘real’ and not ‘sham’.”

*Workmen v. Associated Rubber Industry Ltd. (1985)*¹⁴- The Supreme Court said that a subsidiary firm set up to cut down on bonus payments to workers was a way to get around legal duties. To find out what the real relationship was between the parent and subsidiary, the corporate veil was broken. This showed that corporate structures can't be utilized to violate employee right.

3.2 THE FRAUD, SHAM, FAÇADE DOCTRINE

The doctrine of fraud, sham, and façade enables courts to penetrate the corporate veil when a corporation is utilized to commit fraud, evade legal accountability, or infringe upon the rights of others. Even though a company is a separate legal entity from its shareholders and members, this legal protection is not complete and cannot be used for dishonest or fraudulent reasons¹⁵.

The courts will look behind the corporate veil to see if there was a real reason for starting a company or running it as a business. If a business is just a front to hide the truth and avoid legal responsibility, it will be pierced.

This doctrine is important when it would be wrong and unfair to keep the corporate veil up. In these cases, the courts will go through the corporate veil and hold people responsible for what the company does.

¹² Delhi Development Authority v. Skipper Construction Co. (P) Ltd. SCALE 202(SC),1996

¹³ Vodafone International Holdings B.V. v. Union of India, (2012) 6 SCC 613 (SC)

¹⁴ Workmen v. Associated Rubber Industry Ltd. AIR 1986 SC 1

¹⁵ Eva Micheler, *Journal of Corporate Law Studies, Theory for Corporate Law Separate legal personality, Special Section: Institutional - an explanation and a defence* Volume 24, Issue 1, Pages 301-329, (2024).

This doctrine makes sure that corporate legal personality isn't misused and that our legal system is fair and just.

3.3 THE ROLE OF EQUITY AND PUBLIC INTEREST CONSIDERATIONS

Judges take into consideration the aspect of equity and public interest while deciding the lifting of the corporate veil, especially in situations where the strict application of the separate personality principle might be prejudicial or unjust. The Supreme Court in the case *State of Uttar Pradesh v. Renusagar Power Co.* reinforced¹⁶ the piercing of the corporate veil as an exception to reveal the economic reality, and the importance of public policy was reiterated. In the case of *Life Insurance Corporation of India v. Escorts Ltd*¹⁷, the court permitted the lifting of the corporate veil for the sake of justice while at the same time cautioning against the dilution of corporate integrity. This has resulted in inconsistencies in the decisions of the court in such matters and has raised the need for clear guidelines in the matter of lifting the corporate veil.

CHAPTER IV- COMPARATIVE JURISPRUDENCE: UNITED KINGDOM AND UNITED STATES

4.1 THE UNITED KINGDOMS RESTRICTIVE APPROACH POST-PREST V. PETRODEL RESOURCES LTD

The United Kingdom has also followed a restrictive approach to veil piercing in recent times. This was clearly laid down by the United Kingdom Supreme Court in the landmark case of *Prest v. Petrodel Resources Ltd*¹⁸. The court had clearly stated that veil piercing is a limited principle that should only be followed in exceptional circumstances. The court had also stated that a company's legal personality should normally be respected. The veil piercing principle should only apply when a company is being used to avoid an existing legal obligation or liability. This decision has clearly narrowed down the scope of veil piercing. Veil piercing is no longer applicable to any principle, including agency, trust, or interpretation.

¹⁶ *State of Uttar Pradesh v. Renusagar Power Co.* reinforced(AIR 1988 SC 1737; (1988) 4 SCC 590) (India)

¹⁷ *Life Insurance Corporation of India v. Escorts Ltd* 1986 AIR 1370, 1985 SCR Supl. (3) 909, 1986 SCC (1)(India)

¹⁸ *Prest v Petrodel Resources Ltd & Others* [2013] UKSC 34.(uk)

4.2 THE EVASION PRINCIPLE AND CONCEALMENT PRINCIPLE

In company law, the principles of evasion and concealment are likely to become clearer over time. The evasion principle will only be used in cases where a company is trying to avoid a legal duty on purpose. This makes sure that courts don't often ignore separate legal personality. On the other hand, the principle of concealment will still help courts figure out who the real people are behind a company without having to lift the veil. As more and more companies use complicated structures and do business across borders, courts may start to use clearer rules or structured tests. In general, the future wants to find a balance between letting businesses do what they want and holding them accountable to stop abuse.

4.3 THE UNITED STATES' ALTER-EGO AND INSTRUMENTALITY DOCTRINE

The United States has more general rules about when to pierce the corporate veil than other countries do. For example, the alter-ego doctrine and the instrumentality doctrine show this. If a person or a parent corporation has taken over a corporate entity to the point where it has no separate existence, the alter-ego doctrine lets a court ignore it. In a case like *Walkovszky v. Carlton*¹⁹, a court had to decide if a corporate entity was being used to avoid liability. The instrumentality doctrine also lets a court pierce the corporate veil if a corporation is just a tool for fraud or injustice.

4.4 MULTI-FACTOR TESTS IN AMERICAN JURISPRUDENCE

In the American jurisdiction, the courts have adopted a multi-factor test to decide whether the corporate veil should be lifted. This test assesses the relationship between the corporation and the shareholders.

The factors that are taken into consideration by the court are:

1. Under-capitalization of the corporation, implying that the corporation was incorporated without sufficient capital.
2. Lack of observance of the formalities of a corporation.

¹⁹ *Walkovszky v. Carlton*, 18 N.Y.2d 414 (1966)

3. Mixing of personal and corporate property, implying that the corporation is not being run independently.

4. Complete domination by the shareholders, implying that the corporation has no independent authority.

5. Use of the corporation for fraud or injustice.

6. Use of the corporation for personal dealings.

The courts do not require the above factors to occur simultaneously, but the totality of the circumstances is taken into consideration to decide whether it would be just to uphold the separateness of the corporation. This flexible test has enabled the American courts to deal with the issue of corporate abuse, although it has been criticized for causing a degree of uncertainty in the law of corporations.

4.5 COMPARATIVE EVALUATION AND DOCTRINAL INSIGHTS FOR INDIA

A comparison of the United Kingdom and the United States shows two different judicial approaches to piercing the corporate veil.

The United Kingdom takes a strict approach, allowing veil piercing mainly in cases where a company is used to avoid a legal obligation. The rules set in *Prest v. Petrodel Resources Ltd.* provide clear guidelines and maintain the basic principle of corporate personality outlined in *Salomon v. A. Salomon & Co. Ltd.*²⁰

On the other hand, the United States uses a more flexible and practical approach. It relies on the alter-ego doctrine and several tests to decide when to ignore corporate separateness. This method helps courts deal with complex corporate structures and fraudulent activities, but it can make legal outcomes less predictable.²¹

For India, which has taken much of its corporate law from the United Kingdom but faces similar challenges as the United States, a balanced approach might be needed. Indian courts have often lifted the corporate veil based on fair considerations, resulting in inconsistencies in

²⁰ *Prest v Petrodel Resources Ltd & Others* [2013] UKSC 34.(uk), *Salomon v. A Salomon & Co. Ltd.* [1897] AC 22 (HL)

²¹ *Alter ego doctrine Sea-Land Services, Inc. v. Pepper Source*, 993 F.2d 1309 (7th Cir. 1993).

rulings. By learning from other countries legal systems, India could benefit from creating a clear set of statutory or judicial guidelines that specify when veil piercing should happen. This framework could merge the UK's evasion principle with the US's multi-factor approach, providing both clear rules and effective regulation against corporate misuse.²²

CHAPTER V – RECOMMENDATIONS AND SUGGESTIONS

5.1 NEED FOR A STRUCTURED VEIL-PIERCING STANDARD

Indian Courts have taken a case-by-case approach to the piercing of the corporate veil, and there are many inconsistent decisions in this area. In *Life Insurance Corporation of India v. Escorts Ltd*²³ and *Delhi Development Authority v. Skipper Construction Co.*,²⁴ the Courts took inconsistent approaches to piercing the corporate veil. Some decisions are based on fraud, while others are based on the evasion of legal responsibility, and some decisions are based on corporate formalities.

There are difficulties in both Courts and businesses in that businesses are not able to understand when the corporate veil can be lifted, and Courts are not able to understand the approach to take in a particular case. A structured analytical framework can bring more clarity to the decisions taken in veil piercing cases by identifying the factors to consider in veil piercing cases. This framework is not meant to limit the Courts' discretion but to act as a framework to evaluate the decisions in veil piercing cases.

5.2 INTRODUCTION TO AN ALTER-EGO TEST

The alter-ego test²⁵, which is frequently applied by courts in the U.S. and the UK, is based on the determination of whether the company is essentially no different from the controlling individuals. Although the test has not been formally applied by Indian courts, the underlying principles of the test can be applied by scholars to obtain analytical insights into the determination of the test. In the Indian context, the courts have applied the piercing of the corporate veil doctrine on the basis of fraud, sham companies, or the misuse of the corporate form. The test has been applied on an ad hoc basis by the courts. The alter-ego test provides

²² *Companies Act 2013 sec7(7)*, 339, 447.

²³ *Life Insurance Corporation of India v. Escorts Ltd. & Ors*, (1985).

²⁴ *Delhi Development Authority v. Skipper Constructions*" is 1996 AIR 2005, 1996 SCC (4) 622.

²⁵ Antoinette M. Sedillo Lopez, *The Alter Ego Doctrine: Alternative Challenges to the Corporate University of New Mexico - School of Law*(1983).

analytical insights into the determination of the test, which is essential to understand the underlying principles of the test. The test has been applied by scholars to obtain analytical insights into the determination of the test. By applying the test, scholars can obtain analytical insights into the determination of the test. The underlying principles of the test can be applied by scholars to obtain analytical insights into the determination of the test.

5.3 CORE ELEMENTS OF THE ALTER-EGO DOCTRINE

The Alter-Ego doctrine is usually anchored on two basic elements that must be satisfied before the veil piercing is allowed.

Firstly, there must be a unity of interest and ownership between the corporation and the controlling party. This is usually established when the corporation fails to conduct its activities as a distinct legal entity and is instead dominated and controlled by its owners. This is usually evidenced by non-compliance with the corporation's formalities and excessive control of the corporation's activities.

Secondly, there must be an element of fraud and/or injustice. The court must be able to ascertain that the continued existence of the corporation as a distinct legal entity would amount to an unjust consequence. The court must be able to ascertain that the corporation was used to perpetrate fraud and/or evade legal compliance and/or to defraud its creditors.

The two elements must be satisfied before a court can pierce the corporate veil. This ensures that the court is cautious when applying the doctrine and only does so when there is clear evidence of the abuse of the corporation's legal personality.²⁶

5.4 APPLICATION OF THE ALTER-EGO TEST IN INDIAN JURISPRUDENCE

Even though Indian courts haven't officially adopted the Alter-Ego Test as a specific doctrine, a lot of their decisions use reasoning that is very similar to its ideas. Courts often look at the relationship between shareholders, directors, and the company to see if the company is really acting as an independent legal person or if it is just a front for the people who run it.²⁷

The judiciary has, on multiple occasions, transcended the formal structure of a corporation to

²⁶ *Sea-Land Services, Inc. v. Pepper Source*, 993 F.2d 1309 (7th Cir. 1993).

²⁷ *Vodafone Essa Gujarat Ltd. v. Department of Income Tax* (2012) 347 ITR 163 (Guj).

discern the actual individuals responsible for corporate actions. When it is clear that the corporation is being used to hide fraud, avoid legal obligations, or defeat valid claims, courts have been willing to ignore the company's separate legal personality. In these cases, the focus changes from the company's legal status to the real relationship between the company and the people who are in charge of it. Indian courts often look at things like how much control shareholders have, why the company was created, and whether the corporate structure has been used to achieve illegal goals. In other places, the Alter-Ego doctrine uses a similar way of thinking about these issues.²⁸

So, even though there isn't a formal Alter-Ego Test in Indian law, the principles behind it are still recognized. If this structured doctrine were officially adopted, it would give courts clearer guidance and make it easier to decide when to pierce the corporate veil.²⁹

5.5 ADVANTAGE OF THE ALTER-EGO FRAMEWORK

Adopting an Alter-Ego framework for Indian corporate law would be beneficial in several important ways.

Firstly, it would result in greater consistency in the decision-making of Indian courts. A framework for decision-making is necessary to ensure that similar decisions are made in similar cases.

Secondly, it would be beneficial in the protection of the legitimate concept of corporate personality. A framework for the law of alter ego would ensure that the law is not abused and that the concept is only applied in rare circumstances.

Thirdly, it would result in greater corporate accountability because individuals would not be able to use companies as a cloak for fraud and other illegal activities. Lastly, it would result in Indian corporate law conforming to international legal standards and principles, thereby increasing the credibility of the Indian legal system and boosting investor confidence.³⁰

²⁸ *LIC v. Escorts (1986)*; CA 2013 §447.

²⁹ Dr. Aman Mishra & Kamlesh Singh, *The Alter Ego Doctrine and Its Impact on Corporate Criminal Accountability in India*, Vol 5, no 9, pp 2519-2523 September 2024

³⁰ M. Balharova, *Piercing Corporate Veil in U.S. and UK: Are we witnessing the downfall of the doctrine?* 1(1) *HHS ILSA Law Journal*, [2016].

5.6 SUGGESTED JUDICIAL GUIDELINES

To make the veil-piercing test more consistent, Indian courts might use a structured framework based on the Alter Ego doctrine. This method would mean that courts would have to look at a number of important factors when deciding whether or not to lift the corporate veil. Some of these are how much control shareholders have over the company, whether the company followed the rules for doing business, and whether company funds have been mixed up or misused. The courts may also look at whether the company doesn't have enough money and whether it has been used to commit fraud or avoid legal responsibilities. It is also important to think about the injustice or unfairness that can happen when the corporate veil is kept. But these factors shouldn't be seen as a strict list of things to do; instead, they should be seen as guidelines. The goal is to give courts a framework that is both flexible and consistent, so they can look at each case on its own facts and make sure that the doctrine of lifting the corporate veil is used fairly and wisely.

CHAPTER VI- FINDINGS AND CONCLUSION

This research has thoroughly examined the doctrine of piercing the corporate veil. It traced its roots, highlighted judicial inconsistencies in India, compared insights from the UK and US, and made a case for a clear alter-ego test. By addressing the goals set in Chapter I, which included understanding corporate personality and Salomon principles along with exploring global approaches, the study shows a clear need for structured guidelines to tackle judicial unpredictability.³¹

Findings Across Chapters

Doctrinal Foundations (Chapter II): The principle of separate legal personality, established in *Salomon v. Salomon & Co. Ltd.*, supports limited liability and economic growth. This is reinforced by cases like *Lee v. Lee's Air Farming Ltd.* However, exceptions such as fraud, sham structures, alter ego, and statutory overrides show that this protection is not absolute and is applied flexibly to prevent misuse.³²

³¹ Separate personality *Salomon v. A Salomon & Co. Ltd.* [1897] AC 22 (HL) and *Lee v. Lee's Air Farming Ltd.* [1961] AC 12 (PC)

³² *Life Insurance Corporation of India v. Escorts Ltd* 1986 AIR 1370, 1985 SCR Supl. (3) 909, 1986 SCC (1)(India), *Renusagar Power Co. Ltd. v. Gen. Elec. Co.*, 1994 Supp (1) SCC 644, *Vodafone Essa Gujarat Ltd. v. Department of Income Tax* (2012) 347 ITR 163 (Guj).

Indian Judicial Inconsistencies (Chapter III): Supreme Court rulings, including those in *Escorts Ltd.*, *Renu Sagar*, *Skipper Construction*, *Vodafone*, and *Associated Rubber*, reveal inconsistent application. Although fraud and sham doctrines, such as in *Jones v. Lipman*, justify piercing the veil, considerations of equity and public interest often result in unpredictable outcomes, creating uncertainty for courts and businesses.³³

Comparative Perspectives (Chapter IV): The UK's narrow post-*Prest v. Petrodel* approach restricts piercing to cases of evasion or concealment, maintaining the integrity of *Salomon*. In contrast, the US uses flexible multi-factor tests, like the alter-ego in *Walkovszky v. Carlton*, which evaluate undercapitalization, domination, and injustice. These models illustrate two distinct paths: the UK's clarity and the US's flexibility.

Recommendations (Chapter V): A clear alter-ego framework that requires unity of interest or ownership alongside fraud or injustice would provide consistency in India without limiting judicial discretion. Merging principles from the UK on evasion with US factors like control, formalities, and undercapitalization would improve accountability, uphold corporate personality, align with international standards, and increase investor confidence.

Overarching Insights and Implications

The analysis shows that while veil piercing protects against corporate misuse, India's case-by-case method leads to uncertainty, as seen in conflicting precedents. Without statutory or judicial guidelines, businesses face unexpected liabilities, and creditors encounter inconsistent remedies. Implementing an alter-ego test, as suggested, addresses the research problem by offering a balanced, multi-factor guideline that respects separate personality while allowing for fair intervention.

Ultimately, this study supports the need for legislative action or guidelines from the Supreme Court to codify veil piercing. Such a framework would align doctrine with justice, ensuring that the corporate veil promotes entrepreneurship without allowing wrongdoing to go unpunished.

³³ *UK Perspective Narrow in Prest v Petrodel UKSC 34 (evasion only)*