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PIERCING THE CORPORATE VEIL: A CRITICAL ANALYSIS OF JUDICIAL APPROACH UNDER INDIAN COMPANY LAW

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ABSTRACT

A major pillar of company law is the doctrine of separate legal personality[115], which is, most notoriously, codified in Salomon v A. Salomon & Co. Ltd.[116] However, exceptions long have been appreciated by courts all over the world: in case a company is a mere facade, a sham, or a means to commit a fraud, the courts have the authority to pierce or lift the veil of incorporation and directly attack the real players.[117] Judicial India has come up with a more subtle, case-based veil-piercing that attempts to weigh the benefits of the policy of limited liability on one hand against abuse of the corporate form on the other. The paper critically evaluates judicial reasoning in India, the development of its doctrines, compares the Indian practice with the main foreign law authorities, explores statutory touchpoints, and gives doctrinal and policy suggestions on how the Indian approach could be better and more principled. In landmark cases - domestic (e.g. Juggilal Kamlapat[118], Tata Engineering (Telco)[119], Balwant Rai Saluja v. Air India[120]) and foreign (e.g., Salomon[121], Gilford Motor[122], Prest v. Petrodel[123]) — are discussed to reveal how Indian courts enforce, restrain, and even broaden the doctrine of veil-piercing. The paper also ends with the proposal of judicial tests, legislative clarification and future research directions.

GRASP - EDUCATE - EVOLVE

[115] AVTAR SINGH, COMPANY LAW (16TH ED. 2015).
[116] Salomon v. A. Salomon & Co. Ltd., [1897] A.C. 22 (H.L.).
[117] *supra* note 1.
[118] Juggilal Kamlapat v. Comm'r of Income Tax, A.I.R. 1969 S.C. 932 (India).
[119] Tata Eng'g & Locomotive Co. Ltd. v. State of Bihar, (1964) 6 S.C.R. 885 (India).
[120] Balwant Rai Saluja v. Air India Ltd., (2014) 9 S.C.C. 407 (India).
[121] *supra* note 2.
[122] Gilford Motor Co. Ltd. v. Horne, [1933] Ch. 935 (C.A.).
[123] Prest v. Petrodel Res. Ltd., [2013] UKSC 34, [2013] 2 A.C. 415.

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1. INTRODUCTION

One of the most important innovations to commercial law was the corporate form, which is founded on the principles of separate legal personality and limited liability. The company was considered to be an artificial juridical person able to hold property, contract and sue in its own name, separate from its members[124], since Salomon v. A. Salomon & Co. Ltd. (1897)[125]. It is this doctrine that stimulates entrepreneurship and capital accumulation by trickling out the personal accountability of shareholders, thus making it easy to take risks and also promoting economic growth. In India, this is enshrined by the provisions of the Companies Act, 2013, and supported by court rulings for decades on top.

But it is the same business banner that is being abused. The law encounters a normative dilemma of ensuring the sanctity of corporate personality and avoiding misuse when people use the corporate model to commit fraud, defraud, avoid statutory liability, and conceal beneficial ownership. The courts have reacted against this with the doctrine of piercing or the corporate veil lifting, whereby judges ignore the separate liability of the company and directly attach it to the persons who control it.[126] However, to tell when such an extraordinary intervention of the judicial system is justified is a highly controversial issue. The excessive testing of the veil would threaten to undermine or disrupt the commercial certainty, the very existence of limited liability, and a deterrent to true investment. Conversely, too much judicial restraint allows the bad to lurk behind intricate company systems thus undermining the integrity of regulatory frameworks with regard to taxation, competition law, foreign exchange management and labour rights. This conflict is vividly mentioned in Indian jurisprudence to the extent of the strict following of separate personality. (e.g., *Life Insurance Corporation v. Escorts Ltd.*, 1986[127]) and purposive veil-piercing in cases involving fraud, sham entities, or public interest (e.g., *Delhi Development Authority v. Skipper Construction*, 1996[128]).

This is further aggravated in the present day, in which a transfer of corporate groups, shell companies, multi-layered subsidiaries, and cross-border shareholdings are examples, making traditional judicial tests difficult.[129] The changing tendency of the Supreme Court, with a tendency to mention the notions of substance over form, fraud on the statute, alter ego, and the idea of a public interest, implies the shift of the idea of formalism to the idea of the functional and contextualised inquiry.[130]

However, there still is a disjointed Indian judicial logic, which requires more of an accountable and reliable doctrine of balancing efficiency and accountability in an economic context. To this end, the paper is a critical account of the manner in which Indian courts have faced piercing the corporate veil, the notion behind the doctrine, the doctrinal contradictions and the conflicts between economic policy and legal responsibility. Through an examination of recent judicial decisions, contrasted with the world jurisprudence, this paper aims to determine whether India has either created a logically coherent judicial system, or has still been left to ad-hoc and judge-created exceptions to a rule of law of corporate law, which, as such, ought to be central to Indian law.

2. THEORETICAL FOUNDATION; SEPARATE LEGAL PERSONALITY AND ITS RATIONALE

The Salomon v solomon[131] case is the landmark judgment that formed the jurisprudential basis of the corporate personality theory. The doctrine of separate legal personality influences corporate law in its most fundamental way. This

[124] *supra* note 1.
[125] *supra* note 2.
[126] *supra* note 1.
[127] Life Ins. Corp. of India v. Escorts Ltd., (1986) 1 S.C.C. 264 (India).
[128] Delhi Dev. Auth. v. Skipper Constr. Co. (P) Ltd., (1996) 4 S.C.C. 622 (India).
[129] Jai Aggarwal and Sharan Ajay Nambiar, LIFTING THE CORPORATE VEIL UNDER THE COMPANIES ACT 2013, 4(6), INDIAN JOURNAL OF INTEGRATED RESEARCH IN LAW, 236
[130] *Id.*
[131] *supra* note 2.

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principle considers the company, not as a worthless entity, separating the shareholders, directors, and members.[132] They have their foundations in their consequences: limited liability safeguards personal property; perpetual succession guarantees continuity despite a change in the owner; and the ability to own property, make and break contracts, sue and be sued, makes the company stable in commercial transactions.[133] The features would address important policy objectives, including reducing risk in investments, reducing the cost of capital, entrepreneur activity and easing efficient economic organisation. The case of the firm with its unique character is, however, a legal fiction, and, just like all fictions, the use of this type of fiction is not an absolute one.[134] Corporate law thus devises some mechanisms to restrict the umbrella of personality where needed.

It is not regularly used but is applied in situations where the corporate form acts as a disguise to commit maleficence, conceal or escape legal liability[135] as was in the cases of Gilford Motor Co. v. Horne[136] and Jones v. Lipman[137]. The court does not interfere with corporate personality in general, but to correct injustice that may occur due to its abuse.[138]

To understand more properly, lets look in to the landmark case of Gilford Motor Co. v. Horne (1933)[139] when an old employee was prohibited by an enforceable non-compete agreement, which prevented him from competing, but opened a company under the name of his wife, to avoid the prohibition. The Court of Appeal opened the veil and permitted the company to avoid the contractual obligation by treating the company as a cloak or a sham.[140]

By contrast, in Lee v. Lee Air Farming Ltd. (1960)[141]The Privy Council accepted the separateness principle with even greater clarity. Though the controlling shareholder, governing director, and chief pilot of the company, the court had acknowledged that Mr. Lee could have existed in a dual legal role and the possibility of existing at the same time, employer (through the company) and employee (as an individual).[142] Making the veil is not a wrongful or evasive purpose; therefore, the veil was not lifted, and the structure was also legally valid and commercially rational.[143] These situations combined establish the fact-sensitive judicial balance: a court will not lift a finger to disregard the corporate veil simply because the company is tightly managed; however, it will do so once the corporate form is used as a tool of perversing or avoiding rights.[144]

The tension between corporate law theory is therefore based on the integrity of the separate legal personality on which commercial certainty relies on as well as fair intervention to enforce the responsibility of individual persons in the event that they take advantage of the separate legal personality. The law tries to ensure these antagonistic values: it provides the corporate form as a norm, but it still locates the judicial discretion to peer behind the fiction when the consequences of following the fiction would want to frustrate the objectives of justice.

3. INDIAN LEGAL LANDSCAPE

There have been changes in the statute of corporate regulation in India, which began with the Companies Act, 1913 and then became the Companies Act, 1956, and finally, it has become the Companies Act, 2013. It is this legislation development on which legislation like veil-piercing should be interpreted. This present statutory milieu cannot just be reduced to company law; there exists a web of regulatory statutes, such as tax legislation, labour and industrial laws, foreign exchange regulations,

[132] *supra* note 1.
[133] *supra* note 1.
[134] *supra* note 1.
[135] *supra* note 15.
[136] *supra* note 8.
[137] Jones v. Lipman, [1962] 1 W.L.R. 832 (Ch.).
[138] *supra* note 1.
[139] *supra* note 8.
[140] *supra* note 1.
[141] Lee v. Lee's Air Farming Ltd., [1961] A.C. 12 (P.C.).
[142] *supra* note 1.
[143] *supra* note 1.
[144] *supra* note 15.

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environmental statutes, competition law, and the Insolvency and Bankruptcy Code (IBC), which also determine when and how courts may ignore the personality of corporations.[145]

The principle of separate legal personality had been propounded in Indian courts even before the Salomon case[146], in the Kondoli Tea Company case[147]. The court had determined that the company and the individual members are two separate personalities and thus, when there was a transfer of property between one to another, they would pay stamp duty since they were changing ownership to another person, i.e. the company. However, not till the Salomon case did the Indian courts readily accept the doctrine of separate legal personality, which they saw as being fundamental to the law and economic policy of the corporations.

In the landmark decision of Juggilal Kamlapat v. Commissioner of Income-Tax (1969)[148], the Supreme Court emphasised that tax authorities are entitled to look beyond corporate form to ascertain the *real source and character* of income.[149] The Court held that when a company structure is employed to divert profits or conceal beneficial ownership for the purpose of avoiding tax liability, "the veil must be lifted to reveal the true state of affairs."[150] This ruling entrenched a foundational principle in Indian tax jurisprudence: the corporate personality cannot be invoked to legitimize artificial or colourable devices designed to defeat taxation. In doing so, the Court aligned itself with the economic-substance doctrines seen in other jurisdictions, giving statutory objectives precedence over formalistic reliance on incorporation.

Together, these cases show that Indian courts are working to find a fair middle path. They respect the company's separate legal identity but refuse to let it be used for fraud or evasion. Over time, the judiciary has moved toward clearer, more consistent standards—lifting the veil only when truly necessary to prevent wrongdoing or uphold the purpose of the law. This approach protects both commercial certainty and the integrity of corporate regulation.

4. DOCTRINAL TESTS AND GROUNDS RECOGNISED BY INDIAN COURTS

Indian courts have recognised several grounds that justify veil-piercing; these often overlap and are applied in a fact-sensitive manner.

4.1. Façade / Sham Company

It has also been recognised as one of the most solid justifications in veil-piercing in Indian jurisprudence that the company is a facade or a sham, a veil invented to hide the real position of events, to deceive regulators, or to evade dispensation with the law.[151] When this occurs, the business structure is not purely commercial in character, but just a tool of deception or evasion. The Indian courts have consistently ruled that in case the incorporation is resorted to with an object of concealing the identity of the actual parties involved, avoiding contractual obligations, evading statutory obligations or other obligations and evading fraud, the veil should be struck whether the individuals orchestrate the arrangement.

This is well congruent with English jurisprudence especially the contemporary articulation in Prest v. Petrodel[152] which states that lifting the veil of incorporation under the principle of evasion is justified i.e., when the company is interposed with the intention to avoid an actual obligation or the evasion of action of enforcing right.[153] The doctrine of facade has been put to a variety of context in India such as avoiding taxes, benami dealings, labour relation and non-conformance of regulation.[154] The courts always trace back to the substance and intention of the formation of the entity and not

[145] Farhan Saquib, DOCTRINE OF LIFTING OF CORPORATE VEIL, IPLEADER, March 12, 2024 Doctrine of lifting of corporate veil : an analysis - iPleaders
[146] *supra* note 1.
[147] In re Kondoli Tea Co., I.L.R. 13 Cal. 43 (1886).
[148] *supra* note 4.
[149] *Id.*
[150] *supra* note 31.
[151] *supra* note 1.
[152] *supra* note 9.
[153] *supra* note 15.
[154] *supra* note 31.

only its external form. In cases where the evidence shows that the company was not doing any legitimate business but rather it is a tool of vice or cover, the judicial answer has been a simple one; the separate personality is ignored and the liability or responsibility is attributed to the real owners of the show.[155]

4.2. Agency / Alter Ego / Single Economic Unit

The next type of ground upon which Indian courts have lifted the veil of incorporation refers to situations where a company is not run as an independent legal person, but rather as a representative or alter ego of its controllers.[156]

The corporate person is not abolished, but this situation is maintained in form only; in fact, the company is subject to the overall command and control of a person, group, or parent company. If the extent of control has been so extensive that the independent will of the company is practically non-existent, the court can declare it an agent or conduit and hold it to the same extent.[157]

The classical doctrine of agency permits the courts to pierce the veil whereby the company may be demonstrated to actually be acting in the actions of those who are behind it.[158] Agency is not, however, an assumed fact, and must be evidenced by actual authority, dependence, and incapacity to make separate decisions.[159] Equally, there is the case of the alter-ego doctrine in which incorporation is applied to conceal the identity of the real performer, avoid the exercise of liabilities or conduct business in a way that would otherwise have been illegal.

In group company arrangements and litigant regularly request the judiciary to embrace the single economic unit or single business entity strategy, meaning treating the mother and daughter companies as elements of an entire business. This theory has been taken with a lot of caution by Indian courts. Although there were individual decisions in the past that showed a certain inclination to identify a corporate group as a unit, in this case of factual circumstances, the current judicial practice has always been to insist upon showing misuse of the corporate form, but not to base judicial decisions solely on economic integration or business interdependence.

This conservative manner fits the world jurisprudence of perceiving group-company veil-piercing as exceptional, instead of as a rule of thumb. Therefore, despite acknowledgement of the Indian courts that the separateness of corporations can be ignored in the case of such domination that the independence is denied, the doctrine is not so liberally used. It is still emphasised on substantive misuse, not mere control and so that the legitimate corporate group structures do not become destabilised and at the same time offer a means to deal with abuse.

4.3. Fraud, Evasion of Statutory Duties, and Tax Avoidance

Some of the most straightforward and most closely established bases of piercing the corporate veil in the Indian law are fraud and statutory evasion. The courts have time and again maintained that the corporate form cannot be allowed to be used as a means of deception and as an obstruction to the execution of valuable statutory obligations. In situations where fraud is committed through incorporation, evasion of legal provisions or acts or where the true character of transactions is to be evaded, the courts have not been reluctant to lift the veil of incorporation and hold the real controllers liable.[160]

Indian courts and regulatory tribunals are substantively oriented in cases that involve statutory compliance. In case it is proved that the company form is being employed so that it could avoid liability under labour legislation, foreign exchange statutes, environmental legislation, competition legislation and

[155] *supra* note 1.
[156] *supra* note 31.
[157] *Id.*
[158] *Id.*
[159] *Id.*
[160] *supra* note 1.

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legislation of welfare of the people, the courts could forego separate corporate personality to avoid injustice and to maintain the integrity of statutory scheme.[161] This principle is rooted in the notion that one should not be able to disallow the duties of the public law using a corporate agreement.[162]

The Indian courts and Indian tax authorities often use substance-over-form to identify artificial or colourable devices used to evade or abate tax liability. The decisions taken by the landmark cases of Juggilal Kamlapat[163] and subsequent jurisprudence on transfer pricing, beneficial ownership and indirect transfers confirm that tax liability cannot be avoided through the intervening shell company or paper company which lacks commercial substance. The veil-piercing in these cases is not an equitable exception but a must-have interpretive weapon of ensuring the intentions of the legislation is realized.

Indian courts by stressing that the privileges of incorporation are incompatible with fraud, statutory evasion and tax avoidance, affirm a major principle of corporate jurisprudence: the corporate personality is a legal benefit that is conditional on good-faith use, and that is lawful use. Under such circumstance, judicial intervention is warranted, though it is critical towards protecting fairness, revenue interests and regulatory efficacy.

5. CRITICAL CASE ANALYSIS (DOCTRINAL SYNTHESIS)

To comprehend the treatment of the corporate veil by the Indian courts it is necessary to look at the top judgments rather than isolate them as separate judgments. In both cases, there is a minor variation in how the judges have dealt with the concept of separate legal personality, and it is only upon looking at them as a block that one realizes the pattern behind it.

Among the first examples of this line of thought is that of ***Juggilal Kamlapat v. Commissioner of Income Tax,*** an important case that has remained referred to whenever revenue authorities seek to explore the benefits of having a look above the official structure of the company[164]. In that instance, the Court had a complex structure of corporate arrangements that were structured in such a manner that they seemed to divert taxable income. It was evident to the Supreme Court that in cases where there is a liability to the taxes, courts should not be limited to the veneer portrayed by the parties.

This is the course followed by *Gower's Principles of Modern Company Law* where it is observed of fiscal cases in most jurisdictions that a tax administration would be impossible in case courts were strictly bound to accept every form of corporation at its true value[165]. Rather, the Court emphasized on the actual nature of the transaction in which a company could not be permitted to be used as a medium of concealing actual income or actual control. Consequently, Juggilal has become a significant reminder that when it comes to the issue of taxation, when compared to a typical personal controversy, corporate veil is much less absolute.

In ***Tata Engineering & Locomotive Co. v. State of Bihar (TELCO)***[166], the Supreme Court examined a somewhat different facet of the veil. This case was not about tax avoidance but the level to which the company could make use of separate personality to separate itself as far as statutes are concerned. The Court upheld the classical principle that a company is separate to its shareholders but it also emphasized on the fact that the corporate form must not be abused to evade responsibilities created by constitutional or statutory provisions.[167] This is indicative of a bigger trend observed in *Palmer's Company Law*, that is the lesser regard of courts to corporate separateness where

[161] *supra* note 15.
[162] *supra* note 31.
[163] *supra* note 4.
[164] Juggilal Kamlapat v. Commissioner of Income Tax, A.I.R (1969) SC 932 (India).
[165] TIMOTHY P. BUCKLEY ET AL., GOWER'S PRINCIPLES OF MODERN COMPANY LAW (10th ed. 2021).
[166] Tata Engineering & Locomotive Co. Ltd. v. State of Bihar, (1964) 6 SCR 885(India).
[167] *Id.*

matters of public law, and most particularly constitutional duty, are involved[168]. TELCO thus lies at the cross-section point of corporate law and constitutional principles to demonstrate that Indian courts are willing to go beyond the formal limits in cases where there are responsibilities of the people involved.

A more social and contemporary use of veil analysis is in ***Balwant Rai Saluja v. Air India***[169]. In this case, the issue was, should some workers, despite being formally undertaken by subsidiary or contractor, be considered employees of the parent organization. The Supreme Court in deciding this matter did not limit itself to legal documents which defined the relationship. It reviewed the persons in actual control, the supervision of the work, the extent to which the functions of the workers were absorbed in the working of the chief employer and the degree to which the subsidiary had real autonomy.[170]

This approach is similar to that advised by *Mayson, French & Ryan*, that is, the judicial propensity to peep behind the curtain of contractual naming and shaming to ascertain the reality of any working relationship.[171] Even though the Court did not purport to be lifting the veil, their reasoning was such that it was open to scrutinize corporate arrangements that seem to have been made in order to weaken the statutory protections.

When we set these choices next to each other we find the richness of Indian doctrine as well as the tension. The judiciary has a flexible approach: it is more eager to interfere in cases related to taxes, is moderate in cases of constitutional matters and is practical in labour cases. This same adaptability leads, however, to the absence of one, definite, dogmatic examination. Courts have been dependent on various concepts that overlap each other, namely fraud, sham, agency, evasion, without necessarily demarcating its boundaries, as Avtar Singh has observed.[172] Therefore, fact situations may at times have varied results, based on the manner in which the court lays the issue.

6. CRITIQUE — STRENGTHS AND WEAKNESSES OF THE INDIAN APPROACH

The comparative studies provide valuable information, as they make us see which course India has taken and what it could do better.

The decision of the UK Supreme Court in ***Prest v. Petrodel Resources Ltd***[173] is one of the foundational pillars of the modern English law. This case reconsidered in which the veil may be pierced[174]. The court restricted the cases where such may occur and said that, only the principle of evasion, whereby a person uses a company to evade an obligation, is relevant to disregard corporate form. English judges indicated that a majority of the problems pertaining to corporate ownership or control may be addressed via alternative legal tenets, including trusts, agency, and property. This practice is characteristic of the English, in general, as indicated in Gower: veil-piercing is confined to a very narrow area of doctrine, and is only resorted to in cases of necessity.[175] Therefore, English law is very predictable but is arguably strict and dissuades a broad approach by the judiciary.

On the contrary, the American doctrine is more adaptable. The U.S. courts rely on wider tests that are the alter-ego and instrumentality theories, to decide whether a company may be treated as identical to its owners.[176] Such factors considered by the judges include the inadequate capitalization, non-observation of corporate formalities, domination by a single shareholder, or fund mixing. But American system is disproportionate. Different results are obtained as each state has its version of the

[168] PAUL L. DAVIES & SARAH WORTHINGTON, PALMER'S COMPANY LAW (Sweet & Maxwell, 2023).
[169] Balwant Rai Saluja v. Air India Ltd., (2014) 9 SCC 407 (India).
[170] *Id.*
[171] DEREK FRENCH, STEPHEN MASON & CHRISTOPHER RYAN, MAYSON, FRENCH & RYAN ON COMPANY LAW (2024 ed.).
[172] AVTAR SINGH, COMPANY LAW (Eastern Book Co., 13th ed. 2022).
[173] *Prest v. Petrodel Res. Ltd.*, [2013] UKSC 34.
[174] *Id.*
[175] *supra* note 51.
[176] STEPHEN M. BAINBRIDGE, CORPORATE LAW (4th ed. 2023).

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test. The ***Walkovszky v. Carlton***[177] case is well known. Carlton exhibits this complication. In this example, the plaintiff asserted that the business was organized in a manner that it was not liable, yet the court did not lift the veil on the basis of undercapitalization. [178] The case demonstrates that there are flexible tools of the American courts, but they may be applied differently.

Other common-law jurisdictions are somewhere in the middle. In Australia, the courts have been found to be ready to unveil the veil of statutory or environmental liability. Canadian courts are fairer and intervene in the cases when justice obviously requires it. These systems imply that a moderate approach, between being corporate-personality sensitive and yet not afraid to take action when the form is misused, can be both resolute and feasible.

The common law jurisdictions are notable in between. The Australian courts, notably, have been ready to lift the veil where the statutory or environmental liabilities are involved. Canadian courts are more fair-minded and they intervene where justice is needed. These jurisdictions point to the fact that a moderate solution, one that is respectful of corporate identity without necessarily being prepared to interfere in situations of abuse, could be fair and effective. Out of this comparative analysis, two important insights can be identified about India. The English model is clear and it takes care to restrain judicial discretion. The experience in the U.S. demonstrates that multi-factor frameworks may assist courts in addressing different situations of facts. The companies in jurisdictions with intricate socio-economic environments tend to flourish with structure as well as inexhaustibility as *Palmer's Company Law* outlines. [179] India appears to be heading this way through a more definite doctrinal system can be used to solidify that direction.

7. CRITIQUE — STRENGTHS AND WEAKNESSES OF THE INDIAN APPROACH

In any appraisal of Indian doctrine, it is necessary to put into consideration the context within which the doctrine functions. analysis of the Indian doctrine needs to begin by putting into consideration the context within which the doctrine works. Cases dealing with economic inequality, regulatory failures and efforts to escape legal safeguards are frequently heard in Indian courts. In line with this scenario, the judicial system has emerged with a culture of transcending the official corporate boundaries whenever the facts indicate abuse.

Avtar Singh observes that this pragmatic way enables the courts to fulfil the labour rights, enforce tax law, and fulfil the public responsibility when adherence to corporate personality may jeopardize these objectives.[180] This renders Indian legal determinations to be sensitive to concerns of the public policy.

Yet, the Indian approach is also a flexible one, which results in a number of issues. First, the absence of any single and clear doctrine implies that other courts can apply different concepts when deciding cases aiming to pierce the veil. Certain judgments are grounded on the fraud, others grounded on economic reality, and some grounded on the mandate or abuse of the structure. According to Mayson, French and Ryan, such uncertainty may make it harder to plan business and results in unnecessary litigation. Ryan cautions that such uncertainty may make corporate planning difficult and cause unnecessary litigation. Companies are not always able to foresee in which cases their internal arrangements could be disregarded especially when courts interpret similar facts differently, foresee when their internal arrangements can be disregarded especially when courts interpret similar facts differently.

Second, this unpredictability also affects procedural aspects. aspects as well. Courts rarely specify what a party must prove to pierce

[177] Walkovszky v. Carlton, 223 N.E.2d 6 (N.Y. 1966).
[178] *Id.*
[179] *supra* note 54.
[180] *supra* note 58.

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the veil or when the burden of proof changes, lay out what a party must prove to pierce the veil or when the burden of proof changes. In many cases, the judicial reasoning is brief but not very explanatory, leaving subsequent courts unclear about the exact standard that was applied. later courts unclear about the exact standard that was applied.

This can lead to inconsistencies between High Courts and tribunals and create opportunities for selective or unequal application of regulations. among High Courts and tribunals and may create opportunities for selective or uneven regulatory enforcement.

Finally, this doctrinal uncertainty has broader political implications. wider policy implications. Companies may be reluctant to adopt advantageous group structures for fear that courts will merge corporate identities without justifiable reasons. beneficial group structures for fear that the courts will merge corporate identities without justifiable reasons. International investors may also feel uncomfortable when key aspects of corporate responsibility are unclear. uneasy when key aspects of corporate liability are unclear. Clearer doctrine would help protect public interests and support A stable business environment. clearer doctrine would help protect public interests and support a stable business environment.

8. RECOMMENDATIONS — TOWARD A PRINCIPLED, PREDICTABLE APPROACH

The contextual sensitivity that sets Indian doctrine apart from more inflexible systems does not have to be abandoned in order to improve it. The context-sensitivity that sets India's doctrine apart from more inflexible systems does not need to be abandoned. Instead, the goal should be to maintain flexibility while enhancing coherence and transparency. Rather, the objective should be to maintain flexibility while improving consistency and transparency.

Developing a structured multi-factor test that courts can use to determine whether or not to disregard corporate form would be a helpful first step. Questions about the degree of shareholder control, whether the structure was used to avoid legal obligations, the level of capitalization, ownership transparency, and the suitability of alternative legal remedies could all be included in such a test. capitalization, ownership transparency, and the suitability of substitute legal remedies. Palmer contends that responsibility, not formalism, should be the ultimate foundation of contemporary corporate liability and that courts could more clearly define this responsibility with the aid of an explicit framework, rely more on accountability than on formalism, and courts could better express this accountability with the aid of a clear framework.[181]

Legislative clarification would also be beneficial, especially in areas like taxation, labour law, environmental regulation, and insolvency where veil-piercing is prevalent.

There is also merit in considering legislative clarification, especially in areas where veilpiercing arises frequently, such as tax, labour law, environmental regulation, and insolvency. Parliament could adopt targeted provisions identifying cases in which courts may overlook distinct personality in these specific contexts. when courts may disregard separate personality in these specific contexts. International practice, particularly in Australia, suggests that such targeted laws can create predictability without limiting the discretion of judges where necessary—particularly in Australia. Suggesting that such targeted statutes can create predictability without limiting judicial discretion where necessary.

Ultimately, enhancing the clarity of procedures would greatly reinforce the doctrine. Clear procedures would notably bolster the doctrine. Courts might mandate that parties attempting to pierce the veil present specific facts instead of vague claims. General claims. After a prima facie case is established, the responsibility could shift to the company to clarify its

[181] *supra* note 54.

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structure and actions. Once demonstrated, the responsibility could shift to the company to clarify its structure and actions.

Furthermore, judgments should ideally provide a thorough explanation of why the piercing is warranted, detailing which factors were crucial. Moreover, judgments should ideally provide a detailed explanation of why piercing is warranted, highlighting the decisive factors involved. This would help create a more consistent body of law and assist future litigants and judges.

In conclusion, the Indian legal system already has the necessary tools for a principled approach to veil piercing.

9. CONCLUSION

The discussion in this paper shows that the idea of separate corporate personality, though fundamental to company law, has never been accepted as an unbreakable shield in India. The courts have consistently recognised that the corporate form, while central to commercial organisation, can be manipulated in ways that undermine statutory duties and public interests. When we trace the doctrine back to early English authorities and then follow its development in India, it becomes evident that the veil is not lifted on the basis of any single overarching principle. Instead, Indian courts respond to the demands of fairness, statutory compliance and economic reality, adjusting their approach to the circumstances of each case.

The cases examined in this study—*Juggilal Kamlapat*[182], *TELCO*[183], and *Balwant Rai Saluja*[184]—illustrate the range of situations in which courts have intervened. In taxation, the judiciary has refused to allow corporate structures to obscure the real flow of income. In constitutional matters, it has placed public obligations above corporate form. And in labour disputes, it has looked beyond contractual labels to determine who truly controls and supervises workers. These examples show that the Indian courts have never regarded the corporate veil as sacrosanct when its invocation would defeat the purpose of legislation or enable unfair practices.

At the same time, this paper also highlights a persistent weakness: India still lacks a cohesive framework explaining when and why the veil should be pierced. Judicial opinions often use overlapping terms—fraud, façade, device, agency, evasion—without clarifying their boundaries. This has produced a body of case law rich in outcomes but thin in doctrinal clarity. As a result, businesses, regulators and even lower courts may struggle to anticipate how a court will treat a particular corporate structure. The comparative study shows that this uncertainty is not inevitable and that other jurisdictions have tried to address similar issues either by limiting the doctrine to narrow categories, as in the UK, or by using structured multi-factor tests, as seen in the United States.

The aim, therefore, is not to abandon the flexibility that has allowed Indian courts to address genuine abuses, but to channel it through a clearer and more consistent methodology. Developing a responsibility-based, multi-factor test would help judges explain their reasoning, reduce unpredictability, and bring coherence to the doctrine without undermining its essential purpose. Limited legislative intervention—especially in fields where misuse of the corporate form is common—could further reinforce this clarity.

In the end, Indian jurisprudence stands at a promising moment. The courts have already shown the instinct and willingness to look beyond legal form when justice or statutory policy requires it. What remains is to refine these instincts into a more structured doctrine that gives certainty to legitimate business actors while ensuring that corporate personality is never used as a shelter for evasion or misconduct. With clearer principles and steadier application, India has the opportunity to shape a veil-piercing doctrine that is both

[182] *supra* note 50.
[183] *supra* note 52.
[184] *supra* note 55.

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equitable and predictable, firmly rooted in the realities of its economic and regulatory environment.