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Lifting of the Corporate Veil in India

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ABSTRACT

The main purpose of this article is to study the limits of the principle of limited liability. Part 1 covers the cap piercing rules. Part 2 examines the common law rationale for removing the veil, which is often offered to uncover the main reason why the judiciary ignores the principle of individualism. This paper proposes an exception to this general rule. The agency, fraud, evasion, abuse, and accomplices characterizations indicate that the court made an effort to consider the parties, shareholders, creditors, or other third parties in the decision. We have no legal interest in the company's affairs and we do not undermine the conduct of the company's management and limited shareholders. Part 3 deals with the comparative aspects of the legal norms related to the wearing of the headscarf.

Keywords: Curtain, veil.

I. INTRODUCTION

In the landmark judgment of *Saloman v. Saloman. Ltd.* (Salomon case) concluded that "the company is a separate legal entity" and has an independent character separate from its members and shareholders. This is an established and accepted principle in many common law and civil law countries around the world. The case also stated that once a company is incorporated, it becomes a "virtual entity" and should be treated separately from its members. The Company has its own rights and obligations and reserves the right to sue or be sued. These corporate provisions give the company a permanent succession advantage. According to the principle of perpetual succession, a company can only survive by relying on itself and its members. Corporate members often use this corporate veil to protect themselves from bogus and random lawsuits. In this case, the court ignores the legal personality of the corporation and pierces the veil to identify and prosecute the real culprit. The principle of "lifting the corporate veil" of these courts can be seen as an "exception" to the corporate rules of corporate law. Because the nature of a company is the foundation of its business, courts often face a discovery dilemma, and misapplication of this rule can harm a company's business prospects and lead to suboptimal results.

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II. SUITABILITY OF CURTAIN HEATING -AN EXCEPTION TO THE COMPANY'S OWN RULES

The principle of separation of corporate entities emerged from the historic Saloman (England) case and the idea was slowly adopted and recognized in common law around the world. The Supreme Court of India in the landmark judgment of L.I.C India v Escorts Ltd also upheld the principles enunciated in Saloman. and others (the "LIC case"), as well as certain exceptions that allow contracting authorities to disregard corporate personality and to recognize and punish actual infringers. Since the partnership and its members are private companies, it is assumed that "there is a veil between the partnership and its members." These marks are often misused by company members to commit acts of vandalism or other fraudulent acts and to protect them from legal action. In this case, the court has no choice but to remove the corporate veil and convict some members. If the court lifts the veil and finds the real culprit, the accused can be convicted of cheating or breach of trust under the law. The privilege of being recognized as a separate legal entity can only be maintained if the company is not engaged in fraudulent activity or if the company is fictitious or a bona fide non-agent. Despite Littlewoods Mail Order Stores Ltd.'s innovative IRC5 solution, company formation does not completely hide the legal personality of a limited company. The Court can always pass through this veil, look behind the veil and discover who is hiding behind the veil. Thus, although partnerships are generally considered as separate legal entities, the concept of legal entity is used for the benefit of society as a whole, using the advantages of these legal entities to defeat the purpose. Courts are not overlooked and the company is treated as a community of members⁶. In USA v. The Milwaukee Refrigeration Transit Company is generally considered a company.

However, when the term corporation is used to harm the public interest or to commit a crime or fraud, the law treats a corporation as a body of people.

III. THE CONSTITUTION STATUTE OF INDIAN LAW

The concept of legal entity is also one of the fundamental rights enshrined in the Constitution of India. **Chiranjitlal Chaudhary v. The Supreme Court of India** held that the fundamental rights guaranteed by the Constitution apply to both corporations and citizens. According to Article 21, no person can be deprived of life and liberty except in cases provided by law. The Company enjoys the right to privacy and liberty under Article 21, but the law may waive the privacy privilege in exceptional circumstances. The Supreme Court of India made an exception in the LIC case. Remove the concept of corporations and courts to remove the veil. The circumstances in which the court can lift the corporate veil can be broadly divided into two

parts: "statutory provisions" and "judicial interpretation".

IV. ADD BUSINESS NEWS FOR THE BENEFITS OF THE COMPANY

The Supreme Court has also lifted the corporate veil on corporations. An example case that proves this is a **UP v. A look at the facts of the Renu Sager Power Company case** shows that there is a provision in the Uttar Pradesh Electricity Act which allows the company to reduce electricity tariffs. It uses its own electricity. electricity generated. Renu Sagar Limited, a wholly owned subsidiary of Hinduco, used the electricity and the Supreme Court ruled in favor of **Hindalco Limited and Hindalco Ltd. Renu Sagar Ltd.** for They are closely related and can be considered the same. This helped Hindalco Limited to get an exemption under the Uttar Pradesh Electricity Act. This was one of the few cases in which the Supreme Court applied the principle of lifting the corporate veil in favor of the company. Indian courts have always emphasized the idea that a company has a personal nature vis-à-vis its shareholders and board of directors. Vodafone International Holdings B.V. As the situation suggests, the company raises the curtains only when absolutely necessary. V. Union of India and others. Hong Kong-based CGP Investments (a Cayman Islands company), led by Hutchinson, will look into the acquisition of Dutch-registered Vodafone. CGP Investments Hutchinson Indian mobile phone company Hutchinson-Essar Ltd. Owned 67% of the shares. Acquisition of CGP Investments, a Cayman Islands company managed by Hutchinson based in Hong Kong. CGP Investments Hutchinson Indian Mobile Company Hutchinson-Essar Ltd. He owns 67% of the shares. Indian tax authorities alleged that Hutchinson had to withhold 110 billion rupees in taxes as Vodafone raised capital in India. The Bombay HC ruled in favor of the revenue authorities on appeal to the Apex Court. The SC decision was good for business, but it made it clear that the veil on cross-border trade and tax issues had been lifted by the company.

V. CONCLUSION

Analysing the statutes and regulations discussed in the article above, it is possible that there is no quantitative provision for the incorporation of a company. Incorporation of companies is not a settled law in India as there is no specific law outlining the conditions for starting the process. The company's decision to disclose should not be too soft or too harsh. However, going too far can cause harm to the public, so courts should be cautious in this area of the law. This principle is still being developed in many cases of jurisprudence, but it has proven to be a good control tool for companies. However, this principle should only be used in rare cases and should not be applied consistently. As stated in Article 2137 of the Constitution, corporations have the right to life and liberty. Courts must resist the temptation to quickly lift the veil. As rightly pointed

out by Balwant Rai Saluja and the Apex Court in Anr. V. For Air India and Ann38. Courts must respect the corporate personality of the company and this principle should only be applied when it is clear that the company is fraudulent or disguised to evade the obligations of the company's owners.
