

Lifting the Corporate Veil

A major benefit of a company's separate legal status and limited liability is the protection of assets of a company's directors and shareholders – those individuals and assets are separated from or “veiled” behind the separate corporate status.

Creditors are thus limited to a company's own assets, not that of its directors or shareholders. Lifting the corporate veil refers to instances where such individuals are held to be personally liable for debts or obligations of the company.

Australian courts have lifted the corporate veil in instances where a shareholder has such excessive control over a company that the company is deemed to act as that shareholder's agent; where a corporate structure has been used to escape legal obligations; where incorporation is regarded as a facade to hide other real intentions and where there is common ownership of a group of companies which together operate in a manner which makes it necessary to consider that one entity could be responsible for the acts of another entity; or where to do so would lead to justice being served.

It should be noted that lifting the veil is an unusual and expensive procedure to complete.