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LEGAL OPINION

Piercing of corporate veil

Allocation of funds to a company by an entrepreneur, aiming to limit risk of capital invested, is usual. In such cases the company has its own structure, with the entrepreneur usually as administrator and shareholder of the company; income for the entrepreneur derives from dividends.

However, it can occur that the company is used to cover personal activity of the shareholder, through an abuse of the separate legal personality of same. Indications for that are lack of funding of the company by the shareholder, mingling of the company property with the personal property of the entrepreneur, lack of company's organisational structure, lack of activity.

In such cases, piercing of the corporate veil can be ordered, resulting to the effects of the company's activity applying to the shareholder. Accordingly, liabilities of the company will burden the shareholder, who will not escape the liability he wanted to avoid.

Piraeus three-membered Court of Appeal Judgment no 485/2020, Judge: D. Tsoutsani, Rapporteur Judge: Ev. Tsiora, Attorneys at law: K. Pontiki, M. Daras, K. Roussos, Maritime Law Review vol. 48, p. 180.

NOTE: Piercing of the corporate veil is temporary and limited, referring solely to the specific transaction for which it is sought. It does not result in liquidation of the company.

The legal column was written by Manolis Eglezos, Attorney at law, Manolis Eglezos & Associates Law Firm, Attorneys at Law and Consultants

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GREEK SHIPPING INTELLIGENCE
132 Syngrou Avenue, 117 45 Athens, Greece
Tel: +30 210 9214.205 • Fax: +30 210 9214.675 • E-mail: amaroid@otenet.gr • Website: www.newsfront.gr
Editor: David Glass, Deputy Editor: Panagiotis Nikolakopoulos, Subscriptions Manager: Sophia Bacoula