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LEGAL OPINION

Piercing of corporate veil

Whilst it is by all means lawful for an entrepreneur to devote limited capital for the achievement of a commercial goal through incorporation of a company to that effect, such incorporation should be real and not in order to circumvent law provisions or deceive commercial partners.

Abuse of the corporate structure can lead to piercing of the corporate veil and consideration of the company as a front person of the entrepreneur and thus judge the activities of the company as such of the entrepreneur.

Indications of abuse of the corporate structure are: Lack of finance of the company; No separation between personal and corporate property; Avoidance of guaranteeing the company's obligations despite previous contrary behavior. All these are combined with the dominant position of the entrepreneur in the shareholding of the company.

Supreme Court Judgment no 618/ 2015, Presiding: N. Leontis, Rapporteur Judge: G. Anastasakos, Attorneys at law: Eir. Denezi, G. Kondoyiannis, Maritime Law Review vol. 43, p. 91.

NOTE: Piercing of the corporate veil is always a question of facts. It is however possible to maintain a corporate structure lawfully by observing certain minimum requirements. The treasury of the company is not to coincide with the 'pocket' of the entrepreneur. The latter can only receive amounts in the form of dividends, or salary, if he also holds a position in the operation of the company. It is remarkable that many do not even observe the "musts" referred to above, and thus expose their personal property to liabilities of their commercial activity. Tax authorities can also consider such activity as one of the entrepreneur and tax him directly, increasing his tax obligations through the addition of this activity to the one being declared.

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