

LOSING LIMITED LIABILITY

Piercing the Corporate Veil

Limited liability is a beautiful legal creation, enabling anyone to operate a business. Because of limited liability the business has an existence apart from the creator or owner. Any actions that the business takes are the businesses – alone – so long as you comply with the law. This is called the "corporate veil".

The corporate veil is a strong protection against the imposition of liability on the owners of a business. However, a legal concept called "piercing the corporate veil" will be used, imposing personal liability on the owner of a business, if compliance with the business laws are not followed.

One of the criteria for piercing the corporate veil and imposing liability on the owner of a business is if they have not kept up with the corporate formalities imposed on the business by law. In English – not establishing, executing and keeping up with your corporate governance obligations can potentially impose significant consequences on the owner.

If the corporate veil is pierced the business owner can be held personally liable for any of the actions of the business.