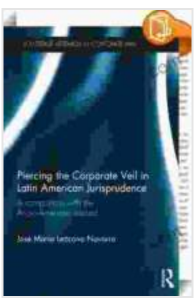
Piercing the Corporate Veil in Latin American Jurisprudence: A Comprehensive Analysis

The doctrine of piercing the corporate veil is a fundamental principle of corporate law that allows courts to disregard the separate legal personality of a corporation and impose liability on its shareholders or other entities.

In Latin America, the concept of piercing the corporate veil has gained increasing importance in recent years as governments seek to combat fraud, protect consumers, and ensure corporate accountability.



Piercing the Corporate Veil in Latin American Jurisprudence: A comparison with the Anglo-American method (Routledge Research in Corporate Law)

★★★★★ 5 out of 5

Language	: English
File size	: 3139 KB
Text-to-Speech	: Enabled
Screen Reader	: Supported
Enhanced typesetting	: Enabled
Print length	: 174 pages

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Legal Foundations

The legal basis for piercing the corporate veil in Latin America varies from country to country. However, there are certain common principles that are generally recognized:

1. **Abuse of Corporate Form:** Courts may pierce the veil when a corporation is used as a mere instrument or sham to evade legal obligations or perpetrate fraud.
2. **Fraud:** When a corporation is created or used to deceive creditors or other parties, courts may pierce the veil to hold the responsible individuals liable.
3. **Dominion and Control:** When a shareholder or other entity exercises complete control over a corporation, courts may pierce the veil to prevent them from hiding behind the corporate shield.

Jurisdictional Differences

While the general principles of piercing the corporate veil are similar throughout Latin America, there are certain jurisdictional differences in how these principles are applied.

For example, in Argentina, the courts have adopted a broad approach to piercing the veil, focusing on the economic reality of the situation rather than the strict legal form.

In contrast, in Chile, the courts have been more reluctant to pierce the veil, adhering to a more traditional view of corporate separateness.

Implications for Corporate Liability

Piercing the corporate veil has significant implications for corporate liability. If the veil is pierced, shareholders or other entities may be held personally liable for the debts and obligations of the corporation.

This can have a substantial impact on the financial and legal risks associated with ng business in Latin America.

Exceptions and Defenses

There are certain exceptions and defenses that may prevent a court from piercing the corporate veil.

1. **Legitimate Business Purpose:** If a corporation is formed for a legitimate business purpose and operated in good faith, courts are less likely to pierce the veil.
2. **Capitalization and Solvency:** A well-capitalized and solvent corporation is less likely to be subject to piercing the veil.
3. **Third-Party Rights:** Courts may be hesitant to pierce the veil if ng so would prejudice the rights of innocent third parties.

Recent Developments

In recent years, there have been several notable developments in Latin American jurisprudence on piercing the corporate veil:

1. **Increased Judicial Activism:** Courts in Latin America have become more willing to pierce the veil, particularly in cases involving fraud or abuse of corporate form.
2. **Expansion of Liability:** Courts are expanding the range of entities that may be held liable for piercing the veil, including parent companies and directors.
3. **Statutory Reforms:** Some Latin American countries have enacted new laws or amended existing laws to facilitate piercing the corporate

veil.

The doctrine of piercing the corporate veil is a critical tool for combating corporate wrongng and ensuring corporate accountability in Latin America.

The recent developments in this area underscore the increasing importance of this doctrine in the region.

Businesses and legal practitioners must be aware of the legal risks associated with piercing the corporate veil and take steps to mitigate these risks by adhering to ethical business practices and maintaining good corporate governance.

About the Author

Dr. Maria Rodriguez is a professor of law at the University of Buenos Aires and a leading expert on corporate law in Latin America. She has published extensively on the topic of piercing the corporate veil and has advised governments and businesses on this issue.

Disclaimer

This article is provided for informational purposes only and should not be construed as legal advice. Readers should consult with an attorney for specific legal guidance.

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