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Business Ethics

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Foreign Corrupt Act

Even though tax avoidance is commonly used as a legal way to minimize taxes paid by most companies, such arrangements don't represent business ethical conduct. Generally, tax avoidance is seen as unethical business behavior. This is because big companies like in our case, the SEC v. Oil Refining Corp and few wealthy people use this tax avoidance act to diminish the tax value liabilities. As a result lot of dollar billions get lost when such people and companies avoid paying tax; for instance, in Action 1, the SECv. Oil refining corp brought a lot of losses from 1965 to 1968. This shows how billions of dollars are lost every year when taxes are avoided.

To establish tax ethics in this scenario, one important business ethical standard must be applied: the ideal utilitarianism approach. In this case, the utilitarian approach will ultimately show that tax avoidance is unethical because the negative impacts of tax avoidance outweigh the positive impacts when the company pays its tax obligations. The ethics of tax avoidance can't be determined theoretically, and the evaluations ultimately depend on the type or quality of government in power.

To conclude, tax avoidance is unethical business behavior since we have seen the losses caused by this oil refining company. Tax avoidance is simply avoiding social obligations. As we have seen, avoiding paying tax makes a company/firm vulnerable to accusations of selfishness and greed, thus damaging its reputation. This destroys the public's trust.