Case Based Report 1

Alexander Moriarty

November 15, 2012

Abstract

In this case study, we examane "Case: 4 Taxation:"

> "You are writing an accounting program. The person that wants it asks you
> to add some features to hide some accounts from the Canada Revenue Agency.
> What should you do?"

Section 1: The Situation

In this case study, "Taxation" we have five moral entities. The essence of the case revolves around a moral agent who is writing software for "the person" being asked to include a feature that will likely be used to break the law. We shall refer to "the person" as the client, who is paying for the services of the developer. The feature being requested, will aid the end users in tax avoidance and tax evasion. Tax Avoidance is generally legal and Tax Evasion is illegal in Canada. This is in accordance with the Income Tax Act, it is the Canadian Revenue Agency who collects from taxpayers and businesses and inspects their records. The feature requested will not only increase the difficult job of the CRA, it will also enable stealing from the fifth and final moral entity, Canadians. Tax Evasion is robbing from the federal government, which is robbing from the people of Canada.

If the developer complies with their client's request, it will enable the end users to hide assets from the CRA. Hiding assets from the CRA is stealing from the federal government. That money would have been used to provide services for Canadian residents and citizens. When the CRA discovers the developer has aided in tax avoidance and tax evasion, they will press criminal charges. If the CRA does not catch on, the developers reputation could spread as someone who endorses ethically questionable software. This would be an attraction for unsavoury clients, and could result in more illegal requests. The legal system should catch this eventually, and the developer would lose everything.

If the developer opts to refuse including the requested features, they will likely lose the contract with their client. We do not have any information about the size of the organization for which the developer works. Is the developer part of a larger software firm? Are there others who will lose money or jobs? Is this client a major business asset? Is the developer employed directly by the client as an in-house developer? In which case the client is their boss. However, declinging the request to include the feature allows the developer

1

to maintain their ethical reputation and gain the intrinsic reqard that comes from doing an honest day of work and contributing to society as a whole.

Section 2: Professional Responsibilies

In this case study, a software developer has been requested to include a feature that will likely be used to facilitate breaking the law. In these circumstances the CRA will go after the users of the software, and the provider and creators of the software all the same. Providing a means to evade taxes is not only illegal, but the unpaid tax dollars would have been spent providing society with services. Which is why providing the requested feature would contradict the ACM code of ethics: "1.1 Contribute to society and human well-being" (ACM Code of Ethics, p. 91). A large portion of taxes collected by the CRA is distributed by the federal government to the provinces in the form of transfer payments. The taxes are then spent providing services such as education and healthcare.

Including this software feature would put the developer and the company for which they work at risk legally. The repercussions of getting caught by the CRA would be devastating. The developer could go to prison; which would hurt any family member's they support. The software firm for which the developer worked, would face both legal and public relation consequences. These would likely destroy the company, and if the developer was in house, the company would be exposed and face extreme penalties. This pertains to "1.2 Avoid harm to others" (ACM Code of Ethics, p. 91) because there are many others with jobs and careers at steak.

Knowing the laws and penalties around taxation when asked to write an accounting program is important. The developer should know that Tax Avoidance is generally legal, while Tax Evasion is always illegal in Canada. There can be arguments over what is avoiding taxation and what is evading taxation, but in this case it is clear. The feature

requested would hide accounts, which would automatically be considered tax evasion if discovered. Canada Revenue Agency administers a self-assessment system, which relies on taxpayers to report their own earnings and pay their fair share. Taxpayers are allowed to minimize the amount of taxes they must pay, but not allowed to hide assets or earnings to try to pay less. The developer should "2.3 Know and respect existing laws pertaining to professional work." (ACM Code of Ethics, p. 94)

Section 3: Professional vs. Ordinary Morality

The professional morality as guided by the ACM Code of Ethics in this case is quite clear. The ACM Code of Ethics values the betterment of society as a whole. Facilitating tax evasion does not improve society. Not only should the developer not include the feature, if the company chooses to have the software developed elsewhere, wherein the feature could be included the developer should report it. This can and should be reported anonymous to CRA, in accordance with the software developers professional morals.

Ideally the software developer's ordinary morality would be in sync with their professional morality. However we are not aware of the developer's personal circumstances. Tax evasion is only beneficial to a small percentage of the population. The tax dollars spent by the government provide social programs to all or to those most vulnerable in society. It's likely that a developer working on an accounting software package and being ask to include this feature, would not benefit from it except for an immediate financial gain. At a federal level, Canada has a progressive tax system. Which means the more you money you earn, the more money you pay. Provincially, only Alberta with their flat 10% tax rate does not follow a progressive tax system. This system is meant to provide equality and balance, and enable social programs that benifit all Canadians. So we would expect the software developers ordinary morality to guide them to refuse inclusion of the feature, and

report the incident to the Canadian Revenue Agency or the authorities (RCMP).

Section 4: Conclusion

Ultimately the software developer should refuse to include the account hiding feature being requested. There are many things at risk such as the developer's career and the credibility of the firm for which they work. The penalties surrounding tax evasion would not simply tarnish one's reputation, they would ruin the developer's livelihood and likely place the developer behind bars alongside those who actually attempted to evade taxation. If the company goes to competition to have their software developed, this should be reported to the CRA. The CRA takes tax evasion seriously and continually investigates and reviews tax avoidance schemes.

Agreeing to include the software feature would put the developer at risk personally, and would only benefit a small percentage of the Canadian population. This contradicts the rights and responsibilites that come with Canadian citizenship, and it would be against the ACM Code of Ethics. Canadian citizenship comes with responsibilites as layed out in the Canadian Charter of Rights and Freedoms, two of which are "Obeying the law" and "Helping others in the community" (Discover Canada, p. 9). Every Canadian citizen can contribute to the improvement and progress of society as a whole, this is why the request for the software feature should be declined.

Bibliography

[1] ACM Council, *ACM Code of Ethics and Professional Conduct.* 1992.

[2] Ministry of Citizenship and Immigration Canada *Discover Canada: The Rights and Responsibilities of Canadian Citizenship* ISBN 978-1-100-20116-0, 2012.