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The Legal and Enthical Environment of Business

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iii BLOCK III: THE LEGAL AND ETHICAL ENVIRONMENT OF BUSINESS The third block deals with the legal and ethical environment in business. The block contains three units. The first unit focuses on the legal and regulatory environment of business. The second unit discusses the tax environment. The third unit examines the importance of ethics in business. Unit 9 discusses two of the external environment factors – the legal environment and the regulatory environment. The unit discusses about the legal environment of business by examining international laws and the host country laws. It then discusses how the disputes can be settled related to international business. The unit also examines the regulatory environment in terms of government's role and the purpose of framing regulations. Unit 10 deals with how taxation affects the business of organizations. The unit examines

the purpose of taxation, and then moves on to discuss the various types of taxation policies.

The unit also explains the features or traits of an ideal tax policy.

Unit 11 provides an overview of the ethical environment of business.

The unit examines the various definitions of ethics, followed by its importance in the field of business from the macro and the micro perspectives. The unit also includes a brief discussion on the ethical codes such as the Cadbury's code of ethics and the Kumar Mangalam Birla report on corporate governance, which define the principles of appropriate behavior in organizations.

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Unit 9 Legal and Regulatory Environment Structure 9.1 Introduction 9.2 Objectives 9.3 International Legal Perspective 9.4 Host Country Laws 9.5 Conflict Resolution, Dispute Settlement and Litigation 9.6 Regulatory Environment: Role of the Government 9.7 Purpose of Regulations 9.8

Summary 9.9 Glossary 9.10 Self-Assessment Test 9.11 Suggested Readings/Reference Material 9.12 Answers to Check Your Progress Questions 9.1.

Introduction In the last unit of the previous block, we have discussed about technological environment. A competitive market should be able to ensure that good quality and fairly- priced products are made available. The Government intervenes through regulations to ensure that producers and service providers are reliable. In many developing countries, an additional goal may promote the domestic industry besides ensuring that the national industries contribute to overall economic development. Thus, an understanding of the regulatory environment is necessary for every business operation within and outside a country. In this unit, we will discuss on • Legal environment with regard to international and the host country laws • How to solve conflicts and settle disputes in international business • Regulatory environment • Various forms of government regulations and • Purpose of framing regulations. 9.2. Objectives By the end of this unit, you will be familiar with: • Outline the International legal perspective Block-3:Business Environment and Law 2 •

List various laws regulating the entry of companies into foreign markets • Define conflict resolution and dispute settlement processes in global markets • Recall Government role in creating a regulatory environment • Explain the purpose of regulations.

9.3. International Legal Perspective International legal environment is consisting of laws of the nations and regulatory mechanism. International law may be defined as the rules and principles that States 1 and Nations 2 accept as binding. It can also be defined as a collection of treaties and agreements between nations that are (more or less) legally enforceable. The field of international law is complex. The two unique characteristics of operating in an international legal environment are: (a) The national law is not applicable for overseas transactions. It is binding only till the trade is conducted within the State or Nation, and (b) There exists no international judicial and administrative framework or a body of law that forms the basis of a comprehensive international system. For the purpose of understanding the varying legal philosophies among countries, legal systems can be categorized as common law and statute law. Common law, also called British law, is followed by about 25 countries including the United Kingdom, India, and the United States (US). This legal system depends heavily on precedents and conventions. These are tradition-oriented and judgments are based on previous court decisions. Statute law (also known as code or civil law) guides countries by embodying the main rule of law in legislative codes. Thus, under this system, the interpretations of the law are strict and literal. Each circumstance is clearly spelled out to indicate what is legal and what is not. Japan and most of the continental European countries follow this legal system. However, the personal judgment of the judges and their interpretation of the laws (which constitutes the major distinction) significantly affect the business decisions and strategies.

9.3.1 Multiplicity of Legal Environment Legal environments can be domestic, foreign, or international. Laws of a particular country regulate the businesses of organizations operating in that country. Legal disputes that may arise during the course of conducting business are very costly and time consuming. Thus, it is imperative for a global company to understand the legal environment, and its implications on the business. Domestic Legal Environment In this environment, the laws of the home country govern the business. Laws can affect both imports and exports.

Import/export of certain dangerous 1

State means 'A Self Governing Political Entity'. 2 Nation means 'A Tightly Knit Group of People which Share a Common Culture.

Unit 9: Legal and Regulatory Environment 3

products like narcotics and toxic substances are prohibited. Imports/exports of cultural treasures, gold, automobiles, etc., are restricted, but not prohibited. Foreign Legal Environment As the company crosses the national border, the company and its practices will be governed by the laws of the host country. The company needs to comply with the laws of the host country. International Legal Environment This environment is a combination of legal systems and laws of various nations put together. It includes all national laws, combined with various treaties among nations, bilateral and multinational conventions, and regional laws. There is no international law as such that describes acceptable and legal behavior for organizations. Thus, international organizations such as the World Trade Organization are constantly striving to promote free trade and settle disputes among nations. 9.3.2 Jurisdiction of Laws There is no international body that makes rules and ensures that the parties follow them. In the present scenario, a business incorporated in a particular country carries the burden of complying with the laws of both the home country and the host country. Major problems arise when laws of more than one country must be respected. When a dispute occurs between two contracting parties, the question arises as to which country's laws should be used to resolve the dispute. If the contract between the parties contains a jurisdiction clause stipulating which country's legal system should be used to settle disputes, the matter can be resolved accordingly. However, if the parties have not included jurisdiction clause in the contract, two alternative courses of action are possible – settle the dispute by following the laws of the country where the agreement was made, or resolve the dispute by applying the laws of the country where the contract has to be fulfilled. If the two alternatives are likely to lead to different conclusions, each party naturally would like to settle the issue as per the legal system that is favorable to it. This will in turn lead to legal and counter legal actions, presumably in different courts and perhaps in different countries. 9.3.3 Extraterritorial Reach Extraterritoriality refers to the State or Nation in which certain diplomatic organizations and people operating in a foreign country are exempted from the jurisdiction of the laws in that country. For instance, ambassadors, diplomatic agents, military bases, offices of the United Nations, etc., are some entities that come under the state of extraterritoriality. In the case of businesses, extraterritoriality can occur when a government extends the application of a law to people or organizations operating outside the country's boundaries. For instance, the US has imposed an embargo on trade with Cuba. If the US government decides to enforce this embargo even in the case of non-US government organizations – say companies operating in the EU – and these organizations overruled it then they may well find themselves in breach of EU legislation prohibiting such compliance. Therefore, such laws sometimes put businesses in difficult situations.

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The concept of extraterritoriality is however not very clear, and is a highly debatable topic. For example, though they may be owned by Indian companies, foreign subsidiaries of Indian companies are non-Indian firms doing business in a foreign country. It is debatable whether these subsidiaries should comply with the home country laws or the host country laws. When a country follows extraterritoriality, conflicts may occur among nations in the areas of anti-trust³, securities' regulations, product liability, tax collections, and export controls. They may sometimes lead further to impeding trade worldwide and intergovernmental disputes. Activity: Speed Cars is a sports car manufacturing company based in Brazil. The company wanted to introduce its cars in the US market. For this, the company has to conform to various regulations laid out by the US government. Under what kind of a legal environment does Speed Cars operate? Explain the impact of such environment on its business. Answer: Check Your Progress - 1 1. _____ can be defined as a collection of treaties and agreements between nations that are legally enforceable. a. Domestic law b. Foreign law c. International law d. All of the above 2. Which of the following is the characteristic feature of the international legal environment? i. The national law is not applicable overseas. ii. The national law is binding only till the trade goes on within the nation and with only one other country. iii. There is no international judicial and administrative framework or a body of law that forms the basis of a comprehensive international system. iv. The international legal environment is highly complex. 3 Anti-trust refers to the government policies aimed at opposing and controlling business monopolies such as trusts and cartels. These policies are aimed at promoting free competition, and achieving the benefits that free competition can provide to the economy and to the entire society.

Unit 9: Legal and Regulatory Environment 5

a.

Only i, ii, and iii b. Only ii, iii, and iv c. Only i, ii, and iv d. Only i, iii, and iv 3. Identify the statement

that do not hold true regarding legal systems. a. The common law system depends heavily on precedents and conventions. b. Statute law is also called British law and is followed by countries like the UK, India, and the US. c. The common law system is tradition-oriented and judgments are based on previous court decisions. d. Under the statute law system, the interpretations of the law are strict and literal. 4. _____ guides countries by embodying the main rules of the law in legislative codes. Under this, the interpretations of the law are strict and literal. a. Statute law b. British law c. Common law d. None of the above 5. Which of the following is the legal environment in which the laws of the home country govern the business? a. Domestic legal environment b. Foreign legal environment c. International legal environment d. Both (a) and (b) 6. Identify the characteristic of the foreign legal environment. a. The laws of the home country govern the business. b. It is a combination of legal systems and laws of various nations put together. c. The company and its practices will be governed by the laws of the host country as the company crosses the national border. d. It includes all national laws, combined with the various treaties among nations, bilateral and multinational conventions, and regional laws. 7. Which of the following statements holds true regarding the international legal environment? i. It is a combination of legal systems and laws of various nations put together. ii. It includes all national laws, combined with the various treaties among nations. iii. There are some international laws that describe acceptable and legal

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and Law 6 behavior for organizations.

a. Only i and ii b. Only i and iii c. Only ii and iii d. Only i, ii, and iii 8.

In what ways can conflicts be resolved between two parties engaged in international business in absence of a jurisdiction clause in the contract? i. By following the laws of the home country ii. By following the laws of the country where the agreement was made iii. By applying the laws of the country where the contract has to be fulfilled a. Either i or ii b. Either i or iii c. Either ii or iii d. Either i or ii or iii 9. _____ refers to the State in which certain diplomatic organizations and people operating in a foreign country are exempted from the jurisdiction of the laws in that country. a. Expropriation b.

Nationalization c. Extraterritoriality d. Confiscation 9.4. Host Country Laws Host countries enact certain laws to regulate the business of foreign companies in their economies, in addition to the laws of the land applicable to domestic businesses. In order to protect the interests of the domestic business, the specific laws are made to regulate the business of foreign nationals. These laws depend upon the country's economic objectives and its obligations and position in relation to worldwide trade. At times, laws are designed to allow the host country formulate the laws for reciprocity with nations on good trading terms with the country. Some laws are also discriminatory against foreign goods and businesses. In some cases, laws may be crafted to suit political needs. That law made to check the entry of foreign players into domestic markets has several forms, such as tariffs, anti-dumping laws, export/import licensing, investment regulations, legal incentives, and restrictive trading laws. 9.4.1 Tariffs A tariff is a tax that a government levies on exports and imports. Tax associated with exports is called export duty, and tax associated with imports is called import duty or customs duty. Customs duty is the tax/duties charged on goods at the time of their entry into the country. Export duty is levied to discourage

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overseas selling to maintain adequate supply at home, while import duty is levied for gaining a source of revenue for the government, protecting the domestic industry from being out-priced by cheap imports, etc. An import duty may be assessed on three ways – on the value of the product (called Ad Valorem); on a unit basis (called specific duty); and on both product as well as unit basis. Many developing countries impose high import duties as there are limited resources, and new industries cannot compete with imports from other countries. High import duties would help in restricting imports and in helping the domestic industries. These help in promoting economic development in such countries. A subsidy (reverse tariff) is also provided by many countries to local manufacturers for exporting to other countries. It may also be provided to local products to make them competitive against imports.

9.4.2 Anti-dumping Laws Dumping is a pricing strategy used by many companies to sell products in foreign markets below costs, or below the price charged for the same to domestic customers. It is done to capture a larger share in a foreign market and compete with domestic companies in foreign markets. Dumping is not considered a condemnable practice for various reasons. In international business, price discrimination through dumping is considered as a normal practice as manufacturers sell their products at different prices in different markets. The prices in various markets change due to changes in the conditions of demand and supply. Another reason is that export prices are usually less than the domestic prices. Due to the above reasons, dumping is not considered illegal. However, if dumping causes or threatens to cause problems to the domestic industry, it is subject to various regulations. Thus, many governments passed anti-dumping laws to protect local industries. These laws provide remedies to the domestic industry as against the injury caused due to the practice of dumping.

9.4.3 Export/Import Licensing Most countries have laws that call for exporters and importers to obtain licenses before engaging in trade across national boundaries. Export licensing allows for statistical tracking of export activities and helps in ensuring that certain goods are not exported at all or at least not to certain countries. Import licensing helps in controlling the unnecessary purchase of goods from other countries.

9.4.4 Foreign Investment Regulations Foreign investment regulations help in limiting the influence of multinational corporations. These regulations help in achieving a pattern of foreign investment that contributes most effectively to the realization of the host country's economic objectives. Foreign investment regulations can take the following forms.

- Decision making pertaining to the selection of foreign investment, control of takeovers, prohibition or restriction of foreign investment in certain sectors and elaboration of incentive schemes.

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Taxation and regulation of financial transactions through determination of locally taxable income to inhibit avoidance of double taxation; control of capital and profit repatriation; incentives for profit reinvestment; regulation of local and foreign borrowing. • Regulation of ownership, managerial control, and employment through local participation requirement in ownership and management; limitation of expatriate employment and local employment quotas. 9.4.5 Incentives In most developing countries, investments are designed to attract foreign investment. Sometimes, the only major way the foreign investment can be regulated is through incentive schemes. Incentives are generally given to benefit the local companies. In certain countries, foreign investment is the main beneficiary as local companies may not be able to qualify for the kind of investment encouraged by the incentives. There are also some incentives that are restricted to local enterprises, joint ventures, or enterprises with a minority foreign participation. Based on the basic approach to investment regulation, incentives may be awarded automatically to all enterprises meeting the conditions specified in the relevant legislation or it may be granted for a specific performance or contribution to the host country's economy (such as export promotion and diversification, transfer of modern technology, the development of backward areas, encouragement to research in host country, and so on). Some of the incentives for the establishment of an enterprise are income-tax holiday for several years; tax measures such as accelerated depreciation; and fiscal incentives such as waiver of import duties on equipment and materials for production, exemption from property tax and tax concessions. 9.4.6 Restrictive Trading Laws These are usually referred to as non-tariff barriers to international trade. These are adopted by most governments to restrict imports or artificially stimulate exports (in addition to the tax incentive laws). These can be in the form of customs and entry procedures, and import charges. 9.4.7 Intellectual Property Laws The Law of Intellectual Rights plays an important role in the business in general. The investment in business and innovations are more linked to the extent protection available to the owners of intellectual property. As such it is essential to understand the nature and scope of intellectual property rights. The understanding of various categories of intellectual property rights helps in designing strategy for realizing the business objectives. Intellectual property refers to "ideas that are translated into tangible products, writings, and so on, and that are protected by the State for a limited period of time from 'unauthorized commercial exploitation'". Intellectual property rights broadly include patents, trademarks, copyrights, geographical indications, industrial designs, circuit layouts, etc.

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Patents Patent is a legal document and evidence of rights on an innovation. Patents are granted to innovations and inventions but not discoveries. Patent laws differ from country to country. Most countries follow the "first-to-file" principle, while countries like the US follow the "first-to-invent" principle. These differences may lead to litigation as competing patent applicants may try to prove that they were the first to invent the product or the first to file the application. Trademarks A trademark is a word, symbol, or device that identifies the source of goods and may serve as an index of quality. It is primarily used to differentiate or distinguish a product or service from another. Most countries mandate registration for a trademark to be protected. Companies interested to do business globally should register their trademarks in every country in which protection is desired. Copyrights Copyrights protect original literary, dramatic, musical, artistic, and certain other intellectual works. In some countries, registration is required for protection of intellectual works, while in some, copyrights protection is offered without registration. There are also some countries which offer little or no protection for the works of foreign companies. Geographical Indications: A geographical indication (GI) is a name or sign used on certain products which corresponds to a specific geographical location or origin (e.g. a town, region or country). Examples: Basmati rice, Swiss watches, etc. Characteristic or reputation associating them with a given area, and at least one stage in the production process must be carried out in that area, while the raw materials used in production may come from another region. Industrial Designs: Industrial Design is the skilled service of creating and establishing concepts and stipulation that optimize the purpose, worth and form of products and systems or the shared advantage of both user and producer. A design is the protection of the ornamental or aesthetic aspect of a product. A design makes a product attractive and appealing for the consumers. They are developed through compilation, examination and production of data guided by the particular needs of the client or manufacturer. Integrated Circuit Layout Designs The integrated circuit layout design is the arrangement on a chip of semiconductor devices such as transistors and passive electronic components such as resistors and interconnections.

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and Law 10 'Integrated Circuit' means a product, in its final form or an intermediate form, in which the elements, at least one of which is an active element, and some or all of the inter connections are. 'Layout-design' means the three dimensional disposition, however expressed, of the elements, at least one of which is an active element, and of some or all of the interconnections of an integrated circuit, or such a three dimensional disposition prepared for an integrated circuit intended for manufacture. Trade Secrets A trade secret is any classified or confidential information that provides an edge to an organization over its competitors. It differs fundamentally from patents, copyrights, and trademarks with regards to the protection aspect. A trade secret is protected for an unlimited period of time as long as the secret is maintained. They are protected without any registration or legal formalities. Given below are some ways in which a trade secret can be protected. • By restricting access to the secret information by locking it away at a secure place • By limiting the number of people who know the information • By making people who know the trade secret and people who come to know the trade secret (by chance) sign non-disclosure agreements • By marking the written documents containing the trade secret as proprietary The Coca-Cola formula is considered as the most famous trade secret. Known by the code name, 'Merchandise 7X', the Coca-Cola formula is known only to a few people within the company who have signed non-disclosure agreements. The formula is also kept in the vault of a bank in Georgia. Intellectual property has gained importance over a period of time and has become a source of competitive advantage. It can be violated very easily. To avoid this, nations should enforce the ownership rights of the companies. The laws dealing with intellectual property are not consistent across nations, and they cannot be extended across national boundaries. Even if there is some similarity across nations, the levels at which they are implemented differ widely. International treaties like the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, and the Universal Copyright Convention (developed by the United Nations as an alternative to the Berne Convention) provide some protection to intellectual property rights. Pandemic has not only created havoc on the lives of people and businesses, it had impact on the IPR issues as well, as we can see from the Exhibit 9.1. Exhibit 9.1: Updates on trademark laws in India Covid-19 changed the way business are functioning on several fronts. Most of the businesses have shifted online.

100%

MATCHING BLOCK 1/14

W

Fashion brands have held online shows, film producers and distributors have shifted to over-the-top (OTT) media services, and corporate brands have led their companies towards digitisation.

Several services such as pharmacies, consultations have shifted to online. Contd.

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Thus

92%

MATCHING BLOCK 2/14

W

the preferred interaction channels of consumers and brands, the nature of the protection of brands has expanded and the IP fraternity has seen expansions in filings due to the digital shift of brands, and additional enforcement mechanisms followed by these brands.

Thus the consumers are not doing physical shopping and the

90%

MATCHING BLOCK 3/14

W

issues with counterfeit goods available on online portals are faced by numerous brands. Infringers and counterfeiters are actively scamming consumers through online channels by marketing branded goods and selling cheap and fake products. .

It is now felt that the registration of brand is essential in online delivery

94%

MATCHING BLOCK 4/14

W

to prevent counterfeiting and deceit. Further the liability of intermediaries has increased, and robust mechanisms such as Amazon's brand registry were brought in as a way to protect brands and give them direct control of their products online.

93%

MATCHING BLOCK 5/14

W

As both counterfeiters and original brands sell their products online, the enforcement battle between the two brings the trademark law into the picture.

100%

MATCHING BLOCK 6/14

W

The brand with prior use, enforcement and recognition will gain from brand registry on e-commerce platforms, rather than brands with little to no enforcement or use.

92%

MATCHING BLOCK 7/14

W

The licensees are assigned specific rights and special provisions are also made to ensure enforcement in Indian markets in these cases.

Source: <https://law.asia/updates-trademark-law-india/> 2 nd August 2021

Activity: Fusion Records (FR) is an Africa-based music recording company. An Indian music director used a song developed by FR in one of his movies. The music director did not take any permission from FR prior to using the song. He made certain modifications (changed the lyrics) to it to suit the Indian audience. The management of FR came to know about this. It filed a case against the music director as the works of the company were protected according to the laws in Africa. What is this intellectual property right of FR called as? Name other intellectual property rights. Answer:

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and Law 12

Check Your Progress - 2 Indicate your choice of the correct answer from the options given by circling it. 10. Which of the following

can be defined as

ideas that are translated into tangible products, writings, etc., and that are protected by the State for a limited period of time from unauthorized commercial exploitation? a. Diffusion b. Intellectual property c. Self-reference criteria d. Either (a) and (b) 11. _____ is a word, symbol, or device that identifies the source of goods and may serve as an index of quality. a. Patent b. Copyright c. Trademark d. Trade secret 12. Which of the following statements is true regarding copyrights? a. It follows 'first-to-file' and 'first-to-invent' principles. b. All countries mandate registration for protection of intellectual works. c. It is primarily used to differentiate or distinguish a product or service from another. d. They protect original literary, dramatic, musical, artistic, and certain other intellectual works. 13. Identify the statement that holds true regarding trade secrets. a. It is legally protected just like patents and trademarks. b. It is primarily used to differentiate or distinguish a product or service from another. c. Registration and certain legal formalities have to be fulfilled to protect the trade secret. d. It is any classified or confidential information that provides an edge to an organization over its competitors. 9.5. Conflict Resolution, Dispute Settlement and Litigation In global markets, conflicts are inevitable as different cultures come together to buy, sell, compete, and engage in joint ventures. Differences in legal systems, currencies, languages, business customs, and also procedural differences in settlement of disputes complicate litigation in foreign courts. To avoid such problems, the parties involved should prepare a contract that stipulates a particular legal system that is to take precedence in resolving any

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contract dispute. The court to be used for the purpose should also be specified. The company should keep in mind that to win a case in its home court is completely different from enforcing a judgment against a foreign company. It is difficult to enforce unless the foreign company wants to continue its business in the country where the judgment is obtained. The company should also ensure that the host country court would have jurisdiction to hear the case if it is necessary to file a lawsuit in the defendant's home country. Arbitration, conciliation, mediation, and negotiations are some forms of settling disputes in international markets. The International Center for Settlement of Investment Disputes (ICSID) was established in 1966 to settle disputes between governments of host countries and foreign investors through conciliation and arbitration. In the same year, UNCITRAL (United Nations Conference on International Trade Law) was established by the United Nations to promote a global set of standards to solve disputes among countries. UNCITRAL, works along with the World Trade Organization to formulate and regulate the international trade. Activity: RF Textiles Limited is a textile manufacturing company in India. The company sells its textiles in India as well as in Japan, Singapore, Malaysia, and South Africa. To its overseas customers, the company prices its textiles at 30% less than the price it charges for the domestic customers.

Name the strategy adopted by the company. Is it an ethical strategy? Why and why not?

Answer: Check Your Progress - 3 Indicate your choice of the correct answer from the options given by circling it. 14.

is a

tax that a government levies on exports and imports. a. Tariff b. Excise duty c. Sales tax d. Inheritance tax 15. Identify the statement that holds true regarding export duty. a. It is levied to discourage overseas selling to maintain adequate supply at home.

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b. It is levied to protect the domestic industry from being out-priced by cheap imports. c. It is assessed based on the value of the product, on a unit basis, and on both product as well as unit basis. d. All of the above 16. Import duties are levied for: i. gaining a source of revenue for the government ii. discouraging overseas selling to maintain adequate supply at home iii. protecting the domestic industry from being out-priced by cheap imports

a. Only i and ii b. Only i and iii c. Only ii and iii d. i, ii, and iii 17. -----

is provided by many countries to local manufacturers for exporting to other countries or to local products to make them competitive against imports. a. Subsidy b. Import duty c. Export duty d. None of the above 18. Which of the following is a pricing strategy used by many companies to sell products in foreign markets below costs or below the price charged for the same to domestic customers? a. Dumping b. Licensing c. Expropriation d. Domestication 19. ----- allows for statistical tracking of export activities and helps in ensuring that certain goods are not exported at all, or at least not to certain countries. a. Dumping b. Export licensing c. Import licensing d. Legal incentives 9.6. Regulatory Environment: Role of the Government The government plays a major role in the domestic economy. The relationship between the government and the economy has greatly transformed since the Great Depression of the 1930s. According to Dimock, "The two most powerful

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institutions in society today are business and government, when they meet on common ground- amicably or otherwise, together they determine public policy- both foreign and domestic, for a nation." The age of Laissez Faire, also called the era of "free enterprise" was based on the assumption "that every individual acting as a rational being tries to get the greatest satisfaction from life for himself and, in this process, contributes towards the greatest possible satisfaction to the society." The classical economists believed in the principle of non-interference with economic and business activity. However, developments particularly those after the Industrial Revolution, changed this view. The Laissez Faire policy led to the concentration of control and ownership of industrial empires in the hands of a small number of people. Practices like monopolies and exploitation of consumers and working classes by industrial majors for private gains made the government and the economists change their views about the role of the State in relation to economic activity. It was realized that the state cannot continue to be a spectator in the economic scenario where business was uncontrolled and unregulated. Laissez Faire ended with the First World War. From then on, the government began to play a positive role in the economic affairs of the country. It became the regulator of the economic activity in the interests of the people and the community at large. Though the State became the controller of the economy worldwide, the extent and nature of control varies widely among nations. For instance, in capitalist countries, the government regulates economic activity and the operations of business and industries, though the ownership and control lies in private hands. In democratic countries, the government takes over the control and ownership of certain segments or activities of the economy and the rest is left to the private companies, which function under the guidelines and regulations set by the government. This pattern of economy is popularly known as mixed economy. Most countries worldwide follow this economic system including India. In the mixed economy, the government plays a dual role in relation to private business and private enterprises that co-exist with government enterprises. The government provides finance and facilities to the selected companies. Through policies like protection and export promotion, it tries to look after the interests of business houses. In addition to it, the government also acts as a regulator, i.e., as a restraining force. It lays down certain guidelines, rules, and regulations, within which companies should function. In certain cases, the government also takes over a company or an entire industry. In totalitarian countries, such as the erstwhile Soviet Union and other communist countries, the government has gone to the extent of taking over complete control of economic activity. Economic activity has been completely regimented there. That is, even production and consumption is determined by the State.

Block-3: Business Environment and Law 16 9.6.1

Forms of Government Regulation The government regulation of business may include a broad range of guidelines extending from entry into the market, up to the final exit from the market. Given below are some of the important forms of regulation of private enterprise by the government.

- General direction and regulation of investment activity in private enterprise. Economic planning at the national level and the industrial policy helps in achieving this.
- Regulation of investment, location size and expansion of individual enterprises and specific industries through industrial licensing.
- Regulation of monopolies and unfair or restrictive trade practices through legislative authority.
- Regulation of price of commodities and industrial products through legislative authority.
- Regulation of wages and bonus for employees in the private sector to reduce exploitation, ensure reasonable standards of living and maintain peace and harmony in industry.
- Regulation of corporate management.
- Regulation of specific forms of business activity like speculation in shares and commodities or imports/exports.

Control and Regulation of Prices The government has the regulatory power to control over private enterprises. It has the power to fix, control and regulate the prices of products and services. When there is a probable fall in the production volume in an industry or a company which is not justified, the government can order for an investigation. Also, if there is a noticeable decrease in the quality of the products or service, or an unfair increase in the prices, the government can call for investigation. The government is empowered to give advice to the industry on pricing of its products and services. The objective is to fix the price reasonably considering the consumers' interests at large. In India, the government enjoys the power of fixing and regulating the pricing of essential commodities such as sugar, wheat, and other commodities and basic drugs.

9.7. Purpose of Regulations The main aim of government intervention should be to maximize society's welfare. According to Vilfredo Pareto, there are two ways to do this – Pareto efficiency and Pareto improvement. While allocating resources in a society, if there is no way to reallocate resources to make at least a person better off without making someone else worse off, such a situation is called a Pareto efficient. If these resources can be reallocated in such a way that at least one person is better off without making someone else worse off, then such a situation is called a Pareto improvement.

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A market-based economy automatically allocates resources efficiently. The allocation may not however be fair without government intervention. This is an idealistic situation and gives rise to two problems – society may not necessarily prefer this method, and efficiency in resources allocation is not the only goal of any society as there are other vital social objectives. Concentrating only on the efficiency aspect may hamper equitable distribution, leading to incapability to satisfy the basic needs of few people.

Check Your Progress - 4 Indicate your choice of the correct answer from the options given by circling it. 20. Which of the following

statements is true regarding the role of government in regulating an economy? i. In capitalist countries, the government regulates economic activity and the operations of business and industries, though the ownership and control lies in private hands. ii. In mixed economies, the government takes over the control and ownership of certain segments of the economy and the rest is left to the private companies, which function under the guidelines and regulations set by the government. iii. In democratic countries, the government plays a dual role in relation to private business, and private enterprises co-exist with government enterprises. iv. In totalitarian countries, the government has taken over complete control of economic activity.

a. Only i and ii b. Only i and iv c. Only ii and iii d. Only iii and iv 21.

In which of the following

ways can government regulate the private enterprises? i. By regulating investment, location size, and expansion of individual enterprises and specific industries through industrial incensing ii. By regulating price of commodities and industrial products through legislative authority iii. By regulating specific forms of business activity like speculation in shares and commodities or imports/exports iv. By regulating wages and bonus for employees in the private sector to reduce exploitation, ensuring reasonable standards of living, and by maintaining peace and harmony in the industry

a. Only i, ii, and iii b. Only i, iii, and iv c. Only ii, iii, and iv

d. i, ii, iii, and iv

Block-3: Business Environment and Law 18 22. While allocating resources in a society, if there is no way to reallocate resources to make at least a person better off without making someone else worse off, such a situation is called a _____ situation. a. pareto efficient b. pareto improvement c. equitable distribution d. None of the above 9.8.

Summary • Legal environment refers to laws that govern the setting up and operation of the business. It differs from country to country posing many problems with firms operating internationally. • International law may be defined as the rules and principles that States and Nations accept as binding.. Legal environments can be domestic, foreign or international. • There is no international body that makes rules and ensures that the parties follow them. • In the present scenario, a business incorporated in a particular country carries the burden of complying with the laws of both the incorporating nation and the host country. • Extraterritoriality refers to the State or Nation in which certain diplomatic organizations and people operating in a foreign country are exempted from the jurisdiction of the laws in that country. • Host countries enact laws to control foreign business in their economies. These laws depend upon the country's economic objectives and its obligations and position in relation to worldwide commerce. • Intellectual property refers to ideas that are translated into tangible products, writings, and so on, and that are protected by the State for a limited period of time from 'unauthorized commercial exploitation'. • Intellectual property rights broadly include patents, trademarks, copyrights, and trade secrets. • Laws that play a role regarding entry into foreign markets take several forms, including tariffs, anti-dumping laws, export/import licensing, investment regulations, legal incentives, and restrictive trading laws. • In global markets, conflicts are inevitable as different cultures come together to buy, sell, compete, and engage in joint ventures. To avoid such problems, the parties involved should prepare a contract that stipulates a particular legal system for taking precedence in resolving any contract dispute. • Government plays a major role in every national economy of the world. • The extent and nature of control varies widely between nations such as capitalist economies, mixed economies, and totalitarian economies.

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Government regulation on business includes a broad range of guidelines extending from entry into the market to the final exit from the market. • Pareto efficient and Pareto improvement are the two weapons, through its application the government can maximize the society's welfare. 9.9. Glossary • Domestic legal environment: In this environment, the laws of the home country govern the business. • Dumping: A pricing strategy used by many companies to sell products in foreign markets below costs, or below the price charged for the same to domestic customers. • Extraterritoriality: It refers to the state in which certain diplomatic organizations and people operating in a foreign country are exempted from the jurisdiction of the laws in that country. • Foreign legal environment: As the company crosses the national border, the company and its practices will be governed by the laws of the host country. • International law: Law governing the legal relations among or between the States and Nations. • International legal environment: This environment is a combination of legal systems and laws of various nations put together. • Pareto efficient (to maximize society's welfare): While allocating resources in a society, if there is no way to reallocate resources to make at least a person better off without making someone else worse off, such a situation is called a pareto efficient situation. • Pareto improvement (to maximize society's welfare): If the resources can be reallocated in such a way that at least one person is better off without making someone else worse off, then such a situation is called a pareto improvement situation. • Tariff: A tariff is a tax that a government levies on exports and imports. Tax associated with exports is called export duty, and tax associated with imports is called import duty or customs duty. • Trademark: A word, symbol, or device that identifies the source of goods and may serve as an index of quality. 9.10. Self-Assessment Test 1. An understanding of the legal environment in the host country and knowledge of the international business market is necessary for those involved in any business. Explain the characteristics of operating in an international legal environment. What are the various issues that need to be considered while operating internationally? 2. Host countries enact laws in several forms to control foreign business in their economies. What are these forms?

Block-3: Business Environment and Law 20 3.

Conflicts are inevitable in global markets. Why do conflicts occur? How can they be resolved? 4. Government intervenes through regulations to ensure that producers and service providers are reliable. Explain the role played by government in the regulatory environment of business. What are the various ways in which the government can regulate the business of an organization? 5. The main aim of government intervention should be to maximize society's welfare. How can the government intervene to maximize the welfare of the society? 9.11.

Suggested Readings / Reference Material 1. Francis Cherunilam, "Global Economy and Business Environment," Himalaya Publishing House, 2017 2. V K Puri, S K Misra and "Economic Environment of Business," Himalaya Publishing House, 11th Edition, 2020 3. Gary Ferraro, "Cultural Dimension of International Business," Dorling Kindersley (India) Pvt Ltd, 7th Edition, 2017 4. Foreign Trade Policy 2015-20, Government of India, Ministry of Commerce & Industry; Department of Commerce 5. Dr. Avtar Singh. Law of CONTRACT & Specific Relief Paperback, January 2017 6. Company Law, G.K. Kapoor, Sanjay Dhamija, Vipin Kumar Taxmann's Company 2018 edition 7. Company Law by Avtar Singh, Edition: Eastern Book Company Web store, 17th, 2018, reprinted with Supplement 2021 8. Dr. Vinod K Singhania & Dr. Kapil Singhania Direct Taxes Law & Practice Professional Edition, Publication dated April 2021 - Taxmann Publications Additional References: 1. India's turning point, McKinsey Global Institute, <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/India/Indias%20turning%20point%20An%20economic%20agenda%20to%20spur%20growth%20and%20jobs/MGI-Indias-turning-point-Executive-summary-August-2020-vFinal.pdf>, 25th August 2020 2. RCEP's Birth Is Oversold As The World's Largest New Free-Trade Area, Forbes, Harry Broadman- Forbes team, <https://www.forbes.com/sites/harrybroadman/2020/11/30/rceps-birth-is-oversold-as-the-worlds-largest-new-free-trade-area/?sh=570f05bf2a53>, 30th November 2020

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Answers to Check Your Progress Questions Following are the answers to the Check Your Progress questions given in the Unit. 1. (

c) International law International law may be defined as the rules and principles that states and nations accept as binding. It can also be defined as a collection of treaties and agreements between or among States and Nations that are (more or less) legally enforceable. 2. (d) Only i, iii, and iv The field of international law is complex. The two unique characteristics of operating in an international legal environment are -- (a) The national law is not applicable overseas. It is binding only till the trade goes on within the State or Nation, and (b) There is no international judicial and administrative framework or a body of law that forms the basis of a comprehensive international system. 3. (b) Statute law is also called British law and is followed by countries like the UK, India, and the US. All the statements are true except statement (b). Common law is also called British law. It is followed by about 25 countries including the UK, India, and the US. 4. (a) Statute law Statute law guides countries by embodying the main rules of the law in legislative codes. Thus, under this system, the interpretations of the law are strict and literal. It is also known as code or civil law. 5. (a) Domestic legal environment Legal environments can be domestic, foreign or international. In the domestic legal environment, the laws of the home country govern the business. Laws can affect both imports and exports. 6. (c) The company and its practices will be governed by the laws of the host country as the company crosses the national border. Under the foreign legal environment, the company has to conform to the laws of the host country. As the company crosses the national border, the company and its practices will be governed by the laws of the host country.

Block-3: Business Environment and Law 22 7. (a) Only i and ii The international legal environment is a combination of legal systems and laws of various nations put together. There is no international law as such that describes acceptable and legal behavior for organizations. 8. (c) Either ii or iii If the parties have not included jurisdiction clause in the contract, two alternative courses of action are possible -- settle the dispute by following the laws of the country where the agreement was made, or resolve the dispute by applying the laws of the country where the contract has to be fulfilled. 9. (c) Extraterritoriality Extraterritoriality refers to the State or Nations in which certain diplomatic organizations and people operating in a foreign country are exempted from the jurisdiction of the laws in that country. For instance, ambassadors, diplomatic agents, military bases, offices of the United Nations, etc., are some entities that are under the state of extraterritoriality. 10. (b) Intellectual property Intellectual property refers to "ideas that are translated into tangible products, writings, and so on, and that are protected by the State for a limited period of time from 'unauthorized commercial exploitation'." Intellectual property rights broadly include patents, trademarks, copyrights, and trade secrets. 11. (c) Trademark A trademark is a word, symbol, or device that identifies the source of goods and may serve as an index of quality. It is primarily used to differentiate or distinguish a product or service from another. 12. (d) They protect original literary, dramatic, musical, artistic, and certain other intellectual works. Copyrights protect original literary, dramatic, musical, artistic, and certain other intellectual works. In some countries, registration is required for protection of intellectual works, while in some, copyrights protection is offered without registration. There are also some countries which offer little or no protection for the works of foreign companies. 13. (d) It is any classified or confidential information that provides an edge to an organization over its competitors. A trade secret refers to any classified or confidential information that provides an edge to an organization over its competitors. Trade secrets differ fundamentally from patents, copyrights, and trademarks with regards to the protection aspect. It is protected for an unlimited period of time as long as the secret is maintained. They are protected without any registration or legal formalities.

Unit 9: Legal and Regulatory Environment 23 14. (

a) Tariff A tariff is a tax that a government levies on exports and imports. Tax associated with exports is called export duty, and tax associated with imports is called import duty or customs duty. 15. (a) It is levied to discourage overseas selling with intent to maintain adequate supply at home. Only statement (a) is true regarding export duty. Statements (b) and (c) pertain to import duty. 16. (b) Only i and iii Statements i and iii are true, while statement ii is false. Export duty is levied to discourage overseas selling with intent to maintain adequate supply at home. 17. (a) Subsidy A subsidy, also known as reverse tariff, is provided by many countries to local manufacturers for exporting to other countries. It may also be provided to local products to make them competitive against imported products. 18. (a) Dumping Dumping is a pricing strategy used by many companies to sell products in foreign markets below costs, or below the price charged for the same to domestic customers. It is done to capture a foreign market and to damage rival foreign national companies. 19. (b) Export licensing Export licensing allows for statistical tracking of export activities and helps in ensuring that certain goods are not exported at all, or at least not to certain countries. Import licensing helps in controlling the unnecessary purchase of goods from other countries. 20. (

b) Only i and iv Statements i and iv are true regarding

the role of government in regulating an economy. Statements ii and iii are false. In democratic countries, the government takes over the control and ownership of certain segments of the economy and the rest is left to the private companies, which function under the guidelines and regulations set by the government. In the mixed economy, the government plays a dual role in relation to private business, and private enterprises co-exist with government enterprises. 21. (d) i, ii, iii, and iv The government can use all the ways mentioned above to regulate the private enterprises. Government regulation of business may include a broad range of guidelines extending from entry into the market to the final exit from the market.

Block-3: Business Environment and Law 24 22. (

a) Pareto efficient The government can maximize society's welfare using two ways -- pareto efficient and pareto improvement. While allocating resources in a society, if there is no way to reallocate resources to make at least a person better off without making someone else worse off, such a situation is called a pareto efficient. If these resources can be reallocated in such a way that at least one person is better off without making someone else worse off, then such a situation is called a pareto improvement.

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Unit 10 Tax Environment Structure 10.1 Introduction 10.2 Objectives 10.3 General Purposes of Taxation 10.4 Types of Taxation Policy 10.5 Features of an Ideal Tax System 10.6

Summary 10.7 Glossary 10.8 Self-Assessment Test 10.9 Suggested Readings/Reference Material 10.10 Answers to Check Your Progress Questions 10.1

Introduction In the previous unit, we have discussed about

the legal and regulatory environments. We have discussed how the governments worldwide intervene in the business of organizations through their legal framework, and rules and regulations. We have seen how the governments play a vital role in ensuring that the business is carried on in a just and equitable environment, and that there is an overall development of the economy. In this unit, we will discuss how taxation affects the economy and the business of an organization. Taxation forms a crucial part of all economies, as the funds collected through taxes are used by the governments of various countries for public welfare and for developing their economies. In business, the understanding of taxation environment within the country of its operation is crucial as it affects the business both directly and indirectly. For a company, a good understanding of the implications of the taxation policy for the business gives it a clear picture of the environment within which the business functions. In this unit, we will discuss the tax environment. We will first look at the purpose of taxation. We will then move on to discuss the various types of taxation policies. Finally, we will look at the features or traits of an ideal tax policy. 10.2

Objectives By the end of this unit, you should be able to: • State the

purpose of taxation • Examine the types of taxation policies • Study the features of an ideal tax system

Block-3: Business Environment and Law 30 10.3 General Purposes of Taxation Tax is a compulsory contribution and obligation of a citizen, irrespective of the exact amount of service rendered to the tax payer in return, and not imposed as a penalty for any legal offence. Governments impose taxes for three main purposes. Taxes are imposed in order to raise revenues, to promote economic goals, and to promote social groups. These purposes are common to all countries worldwide. 10.3.1 Raise Revenues Taxes are imposed on individuals, organizations, products and services. These are the most important sources of revenue to the government. The revenues earned through taxes are used in promoting the welfare of the society. 10.3.2 Economic Goals Taxes also help in promoting economic goals of the governments. These goals may be at the national level or at the individual industry level. The government may decrease taxes to stimulate the economic activity, while may increase taxes to slow down excessive growth in the economy. The government may also provide tax concessions to certain industries to encourage them to perform better. For instance, some countries give tax concessions in order to promote research and development activities. Some countries impose high tariffs on the manufactured goods which are imported. This is done to promote economic goals of protecting a domestic industry from competition from foreign companies or of discouraging the outflow of foreign exchange reserves. 10.3.3 Social Goals Taxes also help in promoting social goals. The government may increase taxes to help the people affected by natural calamities. For instance, the revenues earned through taxes may be contributed to relief and rehabilitation programs of people who have been affected by the floods, earthquakes, etc. Taxes may also be imposed in order to discourage or encourage certain social behavior. For instance, heavy taxes may be imposed on liquor and tobacco. This helps in raising revenues at one end, while decreasing their use at the other end. On one side Government is putting all efforts to mop up tax collection for various welfare measures, MNCs and individuals try to hoodwink the loopholes in the system to evade the taxes. The Exhibit 10.1 below gives us a vivid picture of the taxes evaded by MNCs.

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Exhibit 10.1:

98%	MATCHING BLOCK 8/14	W
India losing \$10.3 bn every year due to tax abuse by MNCs, evasion India is losing over \$10.3 billion (about Rs 75,000 crore) in taxes every year owing to global tax abuse by MNCs and evasion by private individuals. A report		

by the State of Tax justice in its report has mentioned that

100%	MATCHING BLOCK 9/14	W
globally countries are losing a total of over \$427 billion in taxes each year to international corporate tax abuse and private tax evasion.		

71%	MATCHING BLOCK 10/14	W
With regard to India, the report said \$10.3 billion, or 0.41 per cent of the \$3 trillion GDP, is lost in taxes every year to global tax abuse. Major amount to the extent of over \$10 billions is by multinational corporations (MNCs) and \$300 million to tax evasion committed by private individuals. The		

report further adds that

100%	MATCHING BLOCK 11/14	W
India is most vulnerable to illicit financial flows in the form of outward FDI and listed Mauritius, Singapore and the Netherlands as the trading partners which are most responsible for this vulnerability		

Source: https://www.business-standard.com/article/economy-policy/india-losing-10-3-bn-in-taxes-per-year-due-to-tax-abuse-by-mnacs-report-120112001332_1.html Dated 20 th November 2020

Activity: Government of India announces surcharge on income tax and corporate tax. The Government's view is that these are tax-oriented relief measure that has to be taken up for rebuilding and rehabilitation of people who are hit with natural calamities such as earth quakes, floods etc.. In the given situation, what goal does the imposition of taxes serve? For what other purposes are taxes imposed by the Government?

Answer:

Check Your Progress - 1 Indicate your choice of the correct answer from the options given by circling it. 1. Which of the following

refers to a compulsory contribution imposed by the Government, irrespective of the exact amount of service rendered to the payer in return? a. Tax b. Rebate c. Subsidy d. Foreign exchange

Block-3: Business Environment and Law 32 2.

For which of the following purposes are taxes imposed by governments? i. To raise revenues ii. To promote economic goals iii. To promote social groups

a. Only i and ii b. Only i and iii c. Only ii and iii d. i, ii, and iii 3.

Which of the following

statement is true regarding imposing of tax by the government to promote economic goals? i. The goals may be at the national level or at the industry level. ii. The Government may increase taxes to stimulate the economic activity, and decrease taxes to slow down excessive growth in the economy. iii. The Government may provide tax concessions to certain industries to motivate them. iv. The Government may impose high tariffs on imported goods so as to protect a domestic industry from competition from foreign companies.

a. Only i, ii, and iii b. Only i, ii, and iv c. Only i, iii, and iv d. Only ii, iii, and iv 4.

The

Governments of some countries impose high tariffs on manufactured goods which are imported in order to a. promote social goals b. protect a domestic industry from competition from foreign companies c. discourage the inflow of foreign exchange reserves d. All of the above 5. Which of the following are the social goals served through the imposition of taxes by the Government? i. To protect the domestic industry from competition from foreign companies ii. To stimulate the economic activity and reduce the outflow of foreign exchange reserves iii. To discourage the consumption of harmful products such as liquor and tobacco iv. To contribute the revenues toward relief and rehabilitation of people affected by natural calamities such as floods and earthquakes

a. Only i and ii b. Only i and iv c. Only ii and iii d. Only iii and iv

Unit 10: Tax Environment 33 10.4 Types of Taxation Policy Taxation policies can be divided into direct taxes and indirect taxes. 10.4.1 Direct Taxes Direct taxes are paid by the person on whom it is legally imposed. They cannot be passed on to someone else. Income tax and inheritance tax are the examples of direct taxes. 10.4.2 Indirect Taxes Indirect taxes are said to be indirect because tax payer is not the tax bearer. For example, a retail shop owner collects the tax from his customers, to repay the same to the government. Direct taxes are different from indirect taxes. Direct tax is imposed on the tax payer by the government, while indirect taxes are collected by the intermediary. In simple sense, indirect taxes are collected by intermediaries like retailers from customers who eventually bear the burden of the tax. Excise tax, sales tax, customs duty, value added tax etc., are the examples of indirect taxes. Compared to direct taxes, indirect taxes have certain advantages. Indirect taxes are imposed on products and services, and not on individuals. Indirect taxes are paid by individuals indirectly in the form of higher prices which include the taxes levied. Thus, it reduces the resistance in paying these taxes. Indirect taxes are easier to collect. These taxes can be easily recorded, verified, and controlled. Indirect taxes cannot be evaded easily as compared to direct taxes. The government uses the revenue collected through indirect taxes to provide subsidy and other benefits to develop industrial growth in backward areas and high priority sectors of the economy. There are also certain disadvantages. Indirect taxes are paid by all people, whether rich or poor. Indirect taxes are also charged on the essential goods. These taxes increase the price of the product or the service, and the customers have to pay more to buy the product or the service. In case of imports of capital goods, if the indirect tax (customs duty) is high, it is difficult to attract the best technology, which may contribute to good quality products and services. To avoid payment of high customs duty, individuals or companies may resort to unethical and illegal practices like smuggling. 10.5 Features of an Ideal Tax System An ideal tax policy should be fair, neutral, and simple. 10.5.1 Fair Tax payers must contribute their fair share in taxes. However, it is difficult to determine the fair share in taxes for the tax payer. In most countries, the 'ability to pay' is adopted as a measure for determining the 'fair share'. That is, those with greater ability (more money) should pay more taxes. In most countries, the ability to pay is decided by considering the net income of the individual or the business. 10.5.2 Neutral An ideal tax system should be neutral. Taxes should be imposed on individuals, organizations, products, and services alike. In situations, where the tax system

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does not contribute to the economic or social goal, the main aim should be to mitigate the interference with the decisions of the taxpayers. The tax system should be designed in such a way that it does not benefit an industry at the cost of others. It should not favor a competitor (or a group of competitors) within an industry. It should not influence the choice of production factors or product outputs of a firm. 10.5.3 Simple A tax system should not be complex to manage. The costs involved in the collection of taxes should be low. Individuals and firms should not be able to avoid taxes. They should be able to comply with the provisions of the law without spending much time and money. The tax system should be in tune with the level of development of the country. The simple feature of the tax system may conflict with the equity and neutrality features. These conflicts can be solved based on the economic circumstances prevailing in the country at the time when the tax system was implemented. Overall, the tax system should be designed in such a way that it contributes to the growth and development of the country. It should also meet the requirements of the business environment of the country. Simplification of tax system can help in growth as per PWC chairman. His views are captured in Exhibit 10.2. Exhibit 10.2: Simplification of Tax Rates can provide Impetus to India Inc Simplification Of GST and I T rates can provide impetus to India as per Chairman PWC. He stated that the government has taken various fiscal measures in a bid to boost demand recovery. Rationalization of tax rates or even simplification of tax rates can indeed be a step further for providing the much-needed impetus to India Inc. While the GST rate structure has been recalibrated, there is room for further rationalization by reducing the number of slabs - 7 rate slabs for goods (zero per cent, 0.25 per cent, 3 per cent, 5 per cent, 12 per cent, 18 per cent, 28 per cent) and 5 rate slabs for services (zero per cent, 5 per cent, 12 per cent, 18 per cent, 28 per cent). Once these rates are streamlined, the government can rationalize the current long list of exemptions extended to sectors such as textiles, real estate and hospitality. In case of direct tax, the government can consider extending the reduced corporate tax rates of 15 per cent subject to the companies making additional investments including capacity expansion and employing labor beyond predetermined thresholds. Another important area is Personal I Reconsidering the rates, can potentially assist the government aim to widen the personal income tax base and may have benefits beyond demand recovery. Similarly, LLP and partnership firms shouldn't be required to pay tax at a higher rate than corporates as most small and medium businesses are organized as firms, LLPs and proprietorship.

Source: <http://www.businessworld.in/article/>

Simplification-of-Tax-Rates-Can- Provide-Impetus-to-India-Inc-
Sanjeev-Krishan-Chairman-PwC/11-01-2021- 364070/1 st January 2021

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Check Your Progress - 2 Indicate your choice of the correct answer from the options given by circling it. 6. Which of the following is

paid by the person on whom it is legally imposed, and cannot be passed on to someone else? a. Sales tax b. Direct tax c. Indirect tax d. Customs duty 7. Identify from the following an example of direct tax. a. Sales tax b. Excise tax c. Inheritance tax d. Value added tax 8. Identify the statement that holds true regarding indirect taxes. a. These are paid by the person on whom it is legally imposed, and cannot be passed on to someone else. b. These are paid by one individual initially, but the burden of these taxes is passed on to another who eventually bears the burden. c. Income tax and excise tax are examples of indirect taxes. d. These taxes are imposed by the government on the tax payer. 9. Which of the following is not an advantage of indirect taxes? a. These are used by the government to provide subsidy and other benefits to promote growth in backward areas. b. They are imposed on all people, irrespective of their position in the society. c. They can be easily recorded, verified, and controlled. d. None of the above 10.

_____ is not an indirect tax. a. Sales tax b. Excise tax c. Inheritance tax d. Value added tax 11. Which of the following is not a feature of an ideal tax policy? a. Fairness b. Neutrality c. Simplicity d. Partiality

Block-3: Business Environment and Law 36 12.

Which of the following statements is true regarding the neutrality feature of an ideal tax system? i. Taxes should be imposed on individuals, organizations, products, and services alike. ii. The tax system should not favor a particular competitor within an industry. iii. The tax system should influence the choice of production factors or product outputs of a firm. iv. The tax system should be designed in such a way that it does not benefit an industry at the cost of others.

a. Only i, ii, and iii b. Only i, ii, and iv c. Only i, iii, and iv d. Only ii, iii, and iv

Activity: Income tax is levied on the income earned by all the individuals, HUF, partnership firms, LLPs and Corporates as per the Income tax Act of India. In the case of individuals, tax is levied as per the slab system if their income is above the minimum threshold limit (known as basic exemption limit). Budget 2021 has proposed to exempt the senior citizens from filing income tax returns if pension income and interest income are their only annual income source. Section 194P has been newly inserted to enforce the banks to deduct tax on senior citizens more than 75 years of age who have a pension and interest income from the bank. The above given system satisfies which feature of an ideal tax system? What are the other features that make up an ideal tax system? Answer: 10.6 Summary • Taxation forms a crucial part of all economies, as the funds collected through taxes are used by the governments of various countries for public welfare and for developing their economies. • In business, the understanding of taxation environment within the country of its operation is crucial as it affects the business both directly and indirectly.

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Tax is a compulsory contribution imposed by the government, irrespective of the exact amount of service rendered to the tax payer in return, and not imposed as a penalty for any legal offence. • Governments impose taxes for three main purposes. Taxes are imposed in order to raise revenues, to promote economic goals, and to promote social groups. These purposes are common to all countries worldwide. • Taxation policies can be divided into direct taxes and indirect taxes. • Direct taxes are paid by the person on whom it is legally imposed. They cannot be passed on to someone else. • Income tax and inheritance tax are the examples of direct taxes. • Indirect taxes are paid by one individual initially, but the burden of these taxes is passed on to another who eventually bears the burden • Excise tax, sales tax, customs duty, value added tax etc., are the examples of indirect taxes. • An ideal tax policy should be fair, neutral, and simple. Tax payers must contribute their fair share in taxes. Taxes should be imposed on individuals, organizations, products, and services alike. A tax system should not be complex to manage. 10.7 Glossary • Customs duty: An indirect tax which is levied on the import or export of goods. • Direct taxes: These are paid by the person on whom it is legally imposed. They cannot be passed on to someone else. • Excise tax: An indirect tax levied on the production or sale of a product and/or a service within a country. • Income tax: A direct tax levied on the income of individuals and business organizations. • Indirect taxes: These are paid by one individual initially, but the burden of these taxes is passed on to another who eventually bears the burden. That is, indirect taxes are collected by intermediaries like retailers from customers who eventually bear the burden of the tax. • Inheritance tax: A direct tax that arises on the death of an individual. It is levied on the money or the property of a person who has died. •

Sales tax: An indirect tax that is levied at the point of purchase of certain products and/or services. It is also known as a consumption tax. The tax is included either in the price of the product and/or service or added at the point of sale. • Tax: A compulsory contribution imposed by the Government, irrespective of the exact amount of service rendered to the tax payer in return. It is not imposed as a penalty for any legal offence.

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Value-added Tax (VAT): An indirect tax levied on the value added at each stage of a product being produced and sold and not on the gross sales price. 10.8 Self-Assessment Test 1. 'Taxes are imposed in order to raise revenues, to promote economic goals, and to promote social groups.' Explain this statement in detail. 2. An ideal tax policy should have certain traits or features. What are these traits? 3. Taxation policies can be divided into direct taxes and indirect taxes. What are direct taxes and indirect taxes? Explain the differences between these two. 10.9

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Answers to Check Your Progress Questions Following are the answers to the Check Your Progress questions given in the unit. 1. (

a) Tax Tax is a compulsory contribution imposed by the government, irrespective of the exact amount of service rendered to the tax payer in return, and not imposed as a penalty for any legal offence. 2. (d) i, ii, and iii Governments impose taxes for three main purposes. Taxes are imposed in order to raise revenues, to promote economic goals, and to promote social groups. 3. (c) Only i, iii, and iv All the statements hold true, except statement (ii). The government may decrease taxes to stimulate the economic activity, and may increase taxes to slow down the excessive growth in the economy. 4. (b) Protect a domestic industry from competition from foreign companies. Some countries impose high tariffs on manufactured goods which are imported. This is done to promote economic goals of protecting a domestic industry from competition from foreign companies or of discouraging the outflow of foreign exchange reserves. 5. (d) Only iii and iv Taxes help in promoting social goals. The government may increase taxes to help the people affected by natural calamities. Taxes may also be imposed in order to discourage or encourage certain social behavior. For instance, heavy taxes may be imposed on liquor and tobacco. This helps in raising revenues at one end, while decreasing their use at the other end. 6. (b) Direct tax

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Direct taxes are paid by the person on whom it is legally imposed. They cannot be passed on to someone else. 7. (c) Inheritance tax Direct taxes are paid by the person on whom it is legally imposed. They cannot be passed on to someone else. Income tax and inheritance tax are the examples of direct taxes. 8. (b) These are paid by one individual initially, but the burden of these taxes is passed on to another who eventually bears the burden. Indirect taxes are paid by one individual initially, but the burden of these taxes is passed on to another who eventually bears the burden. Direct tax is imposed on the tax payer by the government, while indirect taxes are collected by intermediaries like retailers. Excise tax, sales tax, customs duty, value added tax etc., are the examples of indirect taxes. 9. (b) They are imposed on all people, irrespective of their position in the society. All the statements are advantages of indirect taxes, except statement (b). Statement (b) is a disadvantage. Indirect taxes are paid by all the people, irrespective of their position in the society, whether they are rich or poor. 10. (c) Inheritance tax Excise tax, sales tax, value added tax, etc., are examples of indirect taxes. Inheritance tax is a direct tax. 11. (d) Partiality An ideal tax policy should be fair, neutral, and simple. A tax policy should not be partial to any particular individual or business entity. Taxes should be imposed on individuals, organizations, products, and services alike. 12. (b) Only i, ii, and iv All the statements are true regarding the neutrality feature of an ideal tax system, except statement (iii). The tax system should not influence the choice of production factors or product outputs of a firm.

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Unit 11 Ethics in Business Structure 11.1 Introduction 11.2 Objectives 11.3 Definition of Ethics 11.4 Importance of Ethics in Business – Macro Perspective 11.5 Importance of Ethics in Business – Micro Perspective 11.6

Ethical Code 11.7

Summary 11.8 Glossary 11.9 Self-Assessment Test 11.10 Suggested Readings/Reference Material 11.11 Answers to Check Your Progress Questions 11.1.

Introduction In the last unit, we have learnt about

how taxation affects the business of an organization. We have read that taxes are imposed by the government for various purposes such as to raise revenue, to promote economic goals, and to promote social goals. In this unit, we will discuss about the ethical environment of business. In the recent years, business ethics has gained importance with the increased awareness that it is critical to a company's success. The intensity of consumer movements and the rising level of awareness among the corporate stakeholders have made companies realize that they can no longer get away with undesirable business practices, and that business ethics and transparent operations enhance the company's image. In the highly competitive environment, the company should ensure that its operations enhance shareholders' values as well as protect the other stakeholders' interests, especially the interests of the government and the society. This unit provides an overview of the ethical environment of business. We will first discuss the various definitions of ethics. We will then move on to understand the importance of ethics in the field of business from macro as well as micro perspectives. Finally, we would be discussing ethical codes such as the Cadbury's code of ethics and the Kumar Mangalam Birla report on corporate governance, which defines the principles of appropriate behavior in organizations.

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Objectives By the end of

this unit, you should be able to: • Define the meaning and scope of business

ethics. • Examine how the unethical behavior distorts the market system and an individual firm. • Study the ethical codes such as the Cadbury's code of ethics and the Kumar Mangalam Birla report on corporate governance. 11.3. Definition of Ethics Different thinkers view the concept of ethics differently. In essence, they all agree that ethics deals with right or wrong behavior of individuals.

The word 'ethics' is derived from the Latin word 'ethicus' and the Greek word 'ethikos', meaning character or manners. Ethics can be defined as principles of morality or rules of conduct

and moral judgment that differentiates right from wrong. It is a system of rules that governs the ordering of values. It identifies the rules that should govern people's behavior and the good principles that are desirable. Values are principles of conduct like honesty, keeping of promises, pursuit of excellence, loyalty, fairness, and integrity. Ethical responsibilities include behaviors and the activities that are expected of business by members in the society. Business ethics refers to a set of rules, moral principles, and standards that explain how organizations and their employees should behave in a given situation. It has also been defined as the process of evaluating decisions, either before or after they are made, considering the moral standards of the cultures in the society. Ethical behavior is vital for the success of an organization in the long run, both from the macro (economic system) and the micro (individual firm) perspectives.

11.4. Importance of Ethics in Business – Macro Perspective

Countries depend on the market system to allocate goods and services. They presume that a market system is a more efficient and effective way of allocating a country's resources than a command system (an economic system in which a central authority allocates the country's resources). A market system can work effectively if the people have the right to own or control private property, if they have the freedom of choice in buying and selling products and/or services, and if they have access to accurate information concerning those products and/or services. An exchange takes place only when the private property is owned. Freedom of choice in exchange allows the forces of competition to maintain order in the market. Accurate information enables buyers to locate desirable goods and services in the marketplace so that they can exercise their freedom of choice. In a market system, the total set of goods and services available in a country is allocated to the people based on their individual purchases. Each person buys the goods and services that he/she believes would satisfy their needs. The goods and services are allocated in the most effective manner possible, i.e., according to the perceived value by the individual buyers. An item valued at equal to or greater than its price is purchased, while an item valued at less than its price

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remains unsold. Thus, the market allocation of goods and services considers how the item is valued by the buyers. This holds good as long as there is a close correlation between perceived value at the time of purchase and during the actual use. The problems occur when information concerning the goods or services is incorrect, or when either the buyers or the sellers are not free to exchange. This leads to improper functioning of the market system. People are sometimes forced to buy items that provide less satisfaction as more such items are produced and fewer of the items that provide more satisfaction as less of them are produced. Thus, the total satisfaction is less with this sub-optimal allocation than it would be with other allocations.

11.4.1 Effect of Unethical Behavior

Unethical behavior distorts the market system, leading to an inefficient allocation of resources. Such behavior can take the form of bribery, deceptive information, coercive acts, theft, and unfair discrimination. For the market system to function effectively, it is vital to indulge in ethical behavior. Given below are the effects of unethical behavior viewed from a macro perspective.

Bribery

A bribe makes a choice more attractive to a decision maker by enhancing the personal gain associated with it. The Black's Law Dictionary defines bribery as, "the offering, giving, receiving, or soliciting of any item of value to influence the actions of an official or other person in discharge of a public or legal duty." Usually, the decision maker is gifted or paid money to influence the decision maker and his/her decision or action to the fulfillment of a task. This task may in reality be a less attractive one or may provide less satisfaction in comparison to the other tasks. The decision maker thus gains by selecting the alternative with the bribe. Bribery reduces freedom of choice by changing the conditions under which a decision is made. It leads to allocation of more resources to a less desirable alternative. Most often, the overall cost of the alternative proves to be higher, as the cost of the bribe has to be recovered.

Deceptive Information

Deceptive information creates false impressions and makes buyers purchase products that provide less satisfaction than those which would have been purchased using correct information. Such information may also lead to goods or services being delivered at times other than promised. This results in production delays, which in turn leads to high cost of output, further forcing the buyer to pay more for a less quality product. This also distorts the system as resources will be allocated to the delivered items and not to those which are desired.

Coercive Acts

Preventing a seller from dealing with certain customers, preventing buyers from purchasing from certain sellers, or preventing buyers from buying certain products and/or services, etc., are certain coercive acts. Such acts decrease effective competition, lead to higher prices, and result in inferior products and/or services being provided. All these, in turn, lead to a decrease in the

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satisfaction of buyers. Demand is low at a higher price; this results in fewer resources being allocated to produce products and/or services in the future. Theft increases the cost of producing products and/or services. Losses due to theft can be recovered by earning large profit margins. This leads to increased prices, which in turn reduces demand, and leads to misallocation of resources in worst situations. A huge theft leads to the exit of a product and/or service from the market. Unfair Discrimination Sometimes, buyers may purchase products and/or services from suppliers who sell low quality products and/or services. Also, sellers may sell their products and/or services to people who value them less than those discriminated against. This leads to unfair discrimination, and which in turn, may lead to the purchase of inferior products and/or services and low satisfaction.

Check Your Progress - 1 Indicate your choice of the correct answer from the options given by circling it. 1. Which of the following

terms can be defined as principles of morality or rules of conduct and moral judgment that differentiates right from wrong? a. Ethics b. Morals c. Values d. Behavior 2. _____ are principles of conduct like honesty, keeping of promises, pursuit of excellence, loyalty, fairness, and integrity. a. Ethics b. Morals c. Values d. Behavior 3. Identify the statements that hold true regarding business ethics. i. It refers to the principles of conduct like honesty, keeping of promises, pursuit of excellence, loyalty, fairness, and integrity. ii. It refers to a set of rules, moral principles, and standards that explain how organizations and their employees should behave in a given situation. iii. It is the process of evaluating decisions, either before or after they are made, considering the moral standards of the cultures in the society.

a. Only i and ii b. Only i and iii c. Only ii and iii d. i, ii, and iii

Unit 11: Ethics in Business 45 4.

All the statements given below are true regarding a market system, except: a. Countries depend on the market system to allocate goods and services. b. It is considered as a less efficient and effective way of allocating a country's resources than an economic system in which a central authority allocates the country's resources. c. In this, the total set of goods and services available in a country is allocated to people based on their individual purchases. d. It functions improperly if the information concerning the goods or services is incorrect, or when either the buyers or the sellers are not free to exchange. 5. A market system can work effectively if: i. the people have the right to own and control private property. ii. the people are forced to buy fewer items that provide more satisfaction as less of them are produced. iii. the people have the freedom of choice in buying and selling products and/or services. iv. the people have access to accurate information concerning those products and/or services.

a. Only i, ii, and iii b. Only i, ii, and iv c. Only i, iii, and iv d. Only ii, iii, and iv 6.

Which of the following factors leads to an improper functioning of the market system? i. Incorrect information pertaining to the goods or services ii. People are forced to buy items that provide less satisfaction as more such items are produced iii. Buyers or sellers are not free to exchange the goods or services iv. Unethical behavior leading to an inefficient allocation

of resources

a. Only i, ii, and iii b. Only i, iii, and iv c. Only ii, iii, and iv

d. i, ii, iii, and iv 7.

Which of the following statements hold true regarding bribing, an unethical behavior that distorts the market system? i. A bribe makes a choice more attractive to a decision maker by enhancing the personal gain associated with it. ii. The choice is more attractive, and generally provides more satisfaction. iii. Bribery enhances the freedom of choice by changing the conditions under which a decision is made. iv. It leads to allocation of more resources to a less desirable alternative.

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and Law 46

a. Only i and ii b. Only i and iv c. Only ii and iii d. Only ii and iv 8. Which of the following

unethical behaviors creates false impressions and makes buyers purchase products that provide less satisfaction than those which would have been purchased using correct data? a. Bribe b. Theft c. Unfair discrimination d. Deceptive information 9. Coercive acts in the market system such as preventing a seller from dealing with certain customers, preventing buyers from purchasing from certain sellers, or preventing buyers from buying certain products and/or services would i. lead to higher prices. ii. decrease the satisfaction of buyers. iii. result in inferior products and/or services. iv. decrease

the effectiveness of competition.

- a. Only i, ii, and iii b. Only i, iii, and iv c. Only ii, iii, and iv
d. i, ii, iii, and iv 10.

Which of the following statements hold true regarding the unethical behaviors of theft and unfair discrimination in the market system? i. Theft increases the cost of producing products and/or services. ii. Unfair discrimination may arise due to the purchase of products and/or services from suppliers who sell low quality products and/or services. iii. Theft leads to increased prices, which in turn reduces demand, and leads to misallocation of resources in worst situations. iv. Unfair discrimination may arise due to selling of products and/or services to people who value them less than those discriminated against.

- a. Only i, ii, and iii b. Only i, iii, and iv c. Only ii, iii, and iv
d. i, ii, iii, and iv

Unit 11: Ethics in Business 47 11.5. Importance of Ethics in Business – Micro Perspective Ethical behavior is a vital component for developing and maintaining trust in an individual firm. L T Hosmer defined trust as, “Trust is the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group, or firm to recognize and protect the rights and interests of all others engaged in a joint endeavor or economic exchange.” Trust can be of two types – trust as expectations of technically competent performance and trust as expectations of fiduciary responsibilities, both that apply within and among businesses. People hired to work are expected to be competent. They represent the interests of the external stakeholders when they deal with them. Business is mostly done relying on a person’s word or the expected honesty and decency of the other party. Trust in the business setting reduces costs and improves efficiency. Trust comprises three basic elements – dependability, predictability and faith. Dependability provides assurance that one can be counted on to perform as expected. Predictability tends to eliminate surprises, which are not usually welcome in the business environment. Faith is the belief that one will continue to be predictable and dependable. Trust in a person or on a firm is developed based on experience. Trust, on the experience that the other person, group, or firm will honor the duty to protect rights and interests, lowers perceived risk. Thus, trust is a risk-reducing mechanism. Trust plays a vital role in fostering supplier, customer, and employee relations. 11.5.1 Trust in Supplier Relations Suppliers are the important stakeholders of an organization. They provide inputs such as raw materials, products, and services to an organization that enables it to carry out its business. Organizations try to develop long term relations with their suppliers. An exchange relationship is based on trust between both parties that each will honor his/her commitments. Mutual trust between the organization and its suppliers leads to cooperation and increases efficiency as each party gains faith that the other will act in a predictable and dependable manner. Buyer earns the supplier’s trust when all commitments are honored and when a good credit standing is maintained. Supplier’s trust is lost when a buyer engages in questionable practices such as giving up one supplier for another in an effort to gain a price advantage. Practices such as cheating and lying in order to lower the price also reduce trust. Exchange relationships based on trust develop when there is firmness and fairness in negotiations. An exchange relationship provides several benefits for the buyer. The buyer gets a dependable source of supply. Time previously spent on frequent checks on quality and delivery can be more productively spent elsewhere if the supplier provides goods or services of acceptable quality and provides them on time. In periods of scarcity when supplies are difficult to procure, a good relationship with the old suppliers gives buyers a better chance of obtaining the scarce items. Suppliers generally give preference to customers with whom they have established an exchange relationship before they cater to the others.

Block-3: Business Environment and Law 48 11.5.2

Trust in Customer Relations The sales force links the organization with its customers. A sales person earns a customer's trust by being honest, competent, customer-oriented and likeable. Customers rely on suppliers to provide products and services of acceptable quality on time. In case of products, early deliveries lead to increase in storage costs. In case of services, early deliveries may become useless if they are required at a later time. Late delivery may lead to stoppage in production, in turn, leading to high costs. Customers rely on salespeople if they need information on new and existing products and services. Salespeople must be honest and competent enough to provide the required information. They should also be able to provide information regarding shipping alternatives and arrival dates. Failure to do these, would lead to loss in value and trust. Suppliers too, benefit from exchange relationships as they provide an enduring customer base. The customers who trust suppliers continue to buy from them, and new customers also get added to the existing customer base. Suppliers also gain from predictable sales. A stable or growing customer base ensures a constant source of revenue.

11.5.3 Trust in Employee Relations A climate of trust in an organization, that provides improved communication, greater predictability, dependability, and confidence among its employees. It helps in reducing employee turnover and resistance among employees. It also enhances openness and willingness to listen and accept criticism non- defensively. Some factors that promote trust among employees are – open communication, involving workers in decision making, sharing of critical information and sharing of perceptions and feelings. In a study conducted at General Motors, it was found that five factors appeared to be correlated with trust in one's employer. These are: • Perception of honest and open communication both up and down the organizational ladder • Shared goals and values between workers and supervisors • Faith and consistent treatment of employee groups • Autonomy from close supervision, a sign of personal trust in employees • Feedback from and to management regarding employees' performance and responsibilities. Doing business in China has certain risks especially those related to corruption and the MNCs should be prepared for the same (Refer Exhibit 11.1).

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Exhibit 11.1: Risks Related to Corruption about Doing Business in China

69% MATCHING BLOCK 12/14

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Companies doing business in China are more susceptible to risks such as fraudulent reporting, misappropriation of assets and lack of management integrity. Since maintain relationships 'with government bodies, investors, partners, and even with staff is most important factor in the vendor selection process , engaging with agents, consultants and business partners.

This leads to increases in corrupt practices and becomes a regular affair especially in the areas of a. Procurement process

100% MATCHING BLOCK 13/14

W

b. Official and commercial bribery required to get things done:

c. Agents, dealers, distributors who engage in bribery: d. Internal fraud/embezzlement Though Chinese leadership has put in place broad anti-corruption campaign, criminalized foreign bribery under Article 163 of China's Criminal Law and few MNC's have recently been implicated in accusations of corrupt practices, lot needs to be done in eliminating the corrupt practices.

Source: <https://www.tradecommissioner.gc.ca/china-chine/market-facts-faits-sur-le-marche/153381.aspx?lang=eng> dated 31 st March 2021

Activity: Kshitij Enterprises (KE) is a trading company that supplies spare parts to automobile manufacturers. The company has good relations with the spare parts manufacturers, and thus enjoys the advantage of getting spare parts at a discounted price as compared to its competitors. Evolve Private Limited (EPL) is a spare parts manufacturer that entered newly into the market. To establish its presence, it started approaching companies like KE. Most companies rejected the products offered by EPL quoting quality issues. However, when it approached KE, the procurement manager of the company accepted EPL's offer. It was later found that EPL paid a huge amount to KE's procurement manager that prompted him to accept the offer. Name the strategy adopted by EPL to get the offer from KE. Was it an ethical strategy? Why and why not? Explain the impact of this strategy on the individual firm and the market system. Answer:

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Check Your Progress - 2 Indicate your choice of the correct answer from the options given by circling it. 11. _____
can be defined as

the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group, or firm
to recognize and protect the rights and interests of all others engaged in a joint endeavor or economic exchange. a. Trust
b. Ethics c. Values d. Behavior 12. Match the following elements of trust with their respective descriptions. Element of
trust Description i. Dependability p. Tends to eliminate surprises, which are not usually welcome in the business
environment ii. Predictability q. The belief that one will continue to be predictable and dependable iii. Faith r. Provides
assurance that one can be counted on to perform as expected a. i/r, ii/q, iii/p b. i/p, ii/q, iii/r c. i/r, ii/p, iii/q d. i/q, ii/p, iii/r
13. Which of the following statements holds true regarding the role played by trust in supplier relations? i. Mutual trust
between the organization and its suppliers leads to cooperation and increases efficiency as each party gains faith that the
other will act in a predictable and dependable manner. ii. Organizations can earn the supplier's trust when all
commitments are honored and when a good credit standing is maintained. iii. Supplier's trust is lost when a buyer
engages in questionable practices such as giving up one supplier for another in an effort to gain a price advantage. iv.
Suppliers generally give preference to customers with whom they have established an exchange relationship based on
trust before they cater to
the

others. a. Only i, ii, and iii b. Only i, ii, and iv c. Only ii, iii, and iv d. i, ii, iii, and iv
Unit 11: Ethics in Business 51 14.

Which of the following factors promote trust among employees? i. Open communication ii. Giving workers a greater
share in decision making iii. Sharing of critical information iv. Sharing of perceptions
and feelings

a. Only i, ii, and iii b. Only i, ii, and iv c. Only ii, iii, and iv d. i, ii, iii, and iv 15.

Which of

the following is a trust in employee relations that help an organization? i. It helps in reducing employee turnover and
friction among employees. ii. It also enhances openness and willingness to listen and accept criticism non-defensively. iii.
It provides improved communication, greater predictability, dependability, and confidence among its employees.

a. Only i and ii b. Only i and iii c. Only ii and iii d. i, ii, and iii 16.

A study was conducted at General Motors in which it was found that five factors appeared to be correlated with trust in
one's employer. Which of the following is not a factor found in the study? a. Faith and consistent treatment of employee
groups b. Shared goals and values between workers and supervisors c. Autonomy from close supervision, a sign of
personal trust in employees d. Perception of honest and open communication only up the organizational ladder 11.6.

Ethical Code A code of ethics is a document containing a list of principles prepared for the purpose of guiding
organization members when they encounter an ethical dilemma. Most ethical codes address subjects such as
employees' conduct, community and environment, shareholders, customers, suppliers and contractors, political activity,
and technology. Code of ethics also addresses topics such as conflicts of interest, confidentiality of corporate
information, and misappropriation of corporate assets, bribery, and political contributions. Code of Conduct of a
business, or in other words, the conducting of the business according to the code of ethics has a greater impact on the
governance of business which is generally known as the corporate governance. The code of

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ethics of business forms an important part of the corporate governance. As such it is necessary to understand the concept of corporate governance. A code of ethics must be carefully designed and implemented, and should be integrated with the business strategy and policy. Employees are more likely to accept a code if managers and others affected by it are involved in its development. Moreover, companies should make sure that the code specifies procedures for handling violations and that the procedures are enforced fairly. Also, the code should be revised to reflect changes in the company's product line or competitive practices. In this section, we discuss the highlights of Cadbury's code and the Kumar Mangalam Birla Report on Corporate Governance. These documents provide useful insights into Business Ethics.

11.6.1 Cadbury's Code In May 1991, The Cadbury Committee, chaired by Sir Adrian Cadbury, was appointed by the UK government. The main purpose of the committee was to address the financial aspects of corporate governance. The committee laid down certain recommendations pertaining to the boards and accounting systems of the companies in order to reduce the risks and failures involved in corporate governance. The committee published its report in December, 1992. Given below are some of the recommendations given by the committee:

- Decision-making power should not be vested in a single person, i.e. there should be a separation of the roles of chairman and chief executive.
- Non-executive directors should act independently while giving their judgment on issues of strategy, performance, allocation of resources, and designing codes of conduct.
- A majority of directors should be independent non-executive directors, i.e. they should not have any financial interests in the company.
- The term of a director should not exceed three years. This can be extended only with the prior approval of the shareholders.
- There should be full transparency in matters relating to directors' emoluments. There should be a judicious mix of salary and performance related pay.
- A Remuneration committee made up wholly or largely of non-executive directors, should decide on the pay of the executive directors.
- The Interim company report should give the balance sheet information and should be reviewed by the auditor.
- The pension funds should be managed distinct from the company.
- There should be a "professional and objective" relationship between the board and the auditors.
- Information regarding the audit fee should be made public and there should be regular rotation of the auditors.

Unit 11: Ethics in Business 53 11.6.2

Kumar Mangalam Birla Report Business ethics relates to the decisions that managers make, while corporate governance is concerned with the rules governing the organization's structure and the exercise of power and control of the business of an organization. In May 1999, the Securities and Exchange Board of India (SEBI) set up a committee on corporate governance under the Chairmanship of Kumar Mangalam Birla. The main objective of the committee was 'to view corporate governance from the perspectives of the investors and shareholders, and promote and raise the standards of corporate governance'. The committee gave certain recommendations, primarily focused on investors and shareholders, who are the prime constituencies of SEBI 4 . These recommendations pertained to the responsibilities and obligations of the boards and the management in instituting good corporate governance systems. The recommendations were made considering the fact that any code on corporate governance should be dynamic, and should change with changing context and times. Given below are some of the recommendations given by the committee.

- The board should comprise executive and non-executive directors. At least, 50% directors on the board should be non-executive directors. The number of independent directors depends on the nature of the Chairman of the board. In case of a non-executive Chairman, at least one-third of the board should comprise independent directors. In case of an executive Chairman, at least half of board should be independent.
- A non-executive Chairman should be entitled to maintain a Chairman's office at the company's expense. He/she should be allowed reimbursement of expenses incurred in the performance of his/her duties, thus enabling him/her to discharge the responsibilities effectively.
- The board should set up a qualified and independent audit committee. This would help in enhancing the credibility of the company's financial disclosures, and in promoting transparency.
- There should be minimum three non-executive directors in the audit committee. The majority should be independent, with at least one director having financial and accounting knowledge.
- The Chairman of the audit committee should be an independent director; the company secretary should act as the secretary of the committee.
- The audit committee should meet at least thrice a year. One meeting must be held before finalizing of annual accounts and one every six months. The quorum should be either two members or one-third of the members of the audit committee, whichever is higher.
- The powers of the audit committee are – to investigate any activity within its terms of reference; to seek information from any employee; to obtain 4

SEBI responds to three groups that comprise the market. These are -- the issuers of securities, the investors, and the market intermediaries.

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outside legal or other professional advice; and to secure attendance of outsiders with relevant expertise, if it considers this necessary. • A remuneration committee should be set up to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors, including pension rights and any compensation payment. • Board meetings should be held at least four times in a year, with a maximum time gap of four months between any two meetings. • The board should clearly define the role of the management. • Disclosures relating to all material, financial, and commercial transactions must be made by the management to the board, where they have personal interest, and which may create a conflict of interest with the company. • Shareholders have a right to participate in, and be sufficiently informed on decisions concerning fundamental corporate changes. They should not only be provided information as under the Companies Act, but also informed about other decisions relating to material changes such as takeovers, sale of assets or divisions of the company, changes in capital structure which will lead to change in control or may result in certain shareholders obtaining control disproportionate to the equity ownership. • While appointing a new director or re-appointing a director, the shareholders must be provided with the following information – a brief resume of the director; expertise in specific functional areas, and names of companies in which the person also holds the directorship and the membership of committees of the board. • All shareholders are entitled to receive the half-yearly declaration of financial performance, including a summary of the significant events in the previous six months. • A board committee under the Chairmanship of a non-executive director should be framed to specifically look into the redressal of shareholder complaints like transfer of shares, non-receipt of balance sheet, and non-receipt of declared dividends. Such a committee will help focus the attention of the company on shareholders' grievances and sensitize the management to the need to redress their grievances. • The institutional investors should maintain an arm's length relationship with management and should not seek participation at the board level which may make them privy to unpublished price sensitive information. Given the weight of their votes, the institutional shareholders can effectively use their powers to influence the standards of corporate governance. • A separate section on corporate governance should be maintained in the annual reports of companies, with a detailed compliance report on the corporate governance code. Non-compliance with any section of the code and the reasons thereof should be specifically highlighted. This will enable the shareholders and the securities market to assess for themselves the standards of corporate governance followed by a company.

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Every organization has code of ethics and the codes for ICSI are listed in the exhibit 11.2 Exhibit 11.2: Code of Ethics of ICSI Given below is the code of ethics of the Institute of Company Secretaries of India (ICSI). A member (all categories) of the ICSI shall: • Organize the resources available to him and optimize these in attaining the objectives of his organization. • Not misuse his authority or office for personal gains. • Comply with the Indian laws relating to the management of his organization and operate within the spirit of these laws. • Conduct his affairs so as to uphold, project and further the image and reputation of the ICSI. • Maintain integrity in research and publications. As regards his/her organization, the CSI member should: • Act with integrity in carrying out the lawful policy and instructions of his organization and uphold its image and reputation. • Plan, establish and review objectives and tasks for himself and his subordinates which are compatible with the Codes of Practice of other professionals in the enterprise, and direct all available effort towards the success of the enterprise rather than of himself. • Fully respect the confidentiality of information which comes to him in the course of his duties, and not use confidential information for personal gain or in a manner which may be detrimental to this organization or his clients. • Not snoop around in other people's computer files. • In his contacts and dealings with other people, demonstrate his personal integrity and humanity and when called to give an opinion in his professional capacity, shall, to the best of his ability, give an opinion that is objective and reliable. As regards the Employees, ICSI member should: • Set an example to his subordinates through his own work and performance, through his leadership and by taking account of the needs and problems of his subordinates. • Develop people under him to become qualified for higher duties. • Pay proper regard to the safety and wellbeing of the personnel for whom he is responsible. • Share his experience with fellow professionals. As regards the Clients, the ICSI member should: • Ensure that the terms of all contracts and terms of business be stated clearly and unambiguously. Contd.....

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Not use the computer to harm other people or to bear false witness. • Be objective and impartial when giving independent advice. As regards the Community, the ICSI member should: • Make the most effective use of all natural resources employed. • Be ready to give professional assistance in community affairs. • Not appropriate other people's intellectual output. • Always use a computer in ways that ensure consideration and respect for fellow humans.

Source: "Code of Ethics" ><http://www.csi-india.org/code-ethics><.

Activity: Stylus is a shoe manufacturing company. It has policies that define the standards of conduct that it expects of its employees and suppliers. For instance, for employees, the company expects that they should not engage in the conduct of illegal activities, and should not indulge in drinking, smoking, gambling, fighting, etc., while on the job. It also created a toll-free line for employees to report if any law has been violated. It mandates that every year, employees should verify that they have read and understood the policies. What are these policies called as? Explain their importance to an organization.

Answer: Check Your Progress - 3 Indicate your choice of the correct answer from the options given by circling it. 17.

is a

document prepared for the purpose of guiding organization members when they encounter an ethical dilemma. a. Vision statement b. Code of ethics c. Mission statement d. Corporate governance report

Unit 11: Ethics in Business 57 18.

Which of the following items that are included in a code of ethics. i. Employees' conduct ii. Misappropriation of corporate assets iii. Conflicts of interest iv. Confidentiality of corporate information

a. Only i, ii, and iii b. Only i, ii, and iv c. Only ii, iii, and iv d. i, ii, iii, and iv 19.

Which of the following is not a recommendation given by the Cadbury committee that was created to address the financial aspects of corporate governance? a. Boards should have separate audit and remuneration committees made up entirely of executive directors. b. Audit committees should meet with the external auditors at least once a year and without executive directors. c. The director's term of office should run for no more than three years, without shareholders' approval. d. Independent directors should be fully independent and free from links with the company, except for matters pertaining to remuneration and shareholding. 20.

Which of the following are the recommendations given by the Kumar Mangalam committee set up on corporate governance? i. A non-executive Chairman should be entitled to maintain a Chairman's office at the company's expense. He/she should be allowed reimbursement of expenses incurred in the performance of his/her duties, thus enabling him/her to discharge the responsibilities effectively. ii. The board should set up a qualified and independent audit committee. This would help in enhancing the credibility of the company's financial disclosures, and in promoting transparency. iii. The Chairman of the audit committee should be an independent director; the company secretary should act as the secretary of the committee. iv. The audit committee should meet at least thrice a year. One meeting must be held before finalizing of annual accounts and one every six months. The quorum should be either two members or one-third of the members of the audit committee, whichever is higher.

a. Only i, ii, and iii b. Only i, ii, and iv c. Only ii, iii, and iv d. i, ii, iii, and iv

Block-3: Business Environment and Law 58 21. Which of the following statement deals with the powers of the audit committee? i. To investigate any activity within its terms of reference ii. To seek information from any employee iii. To obtain outside legal or other professional advice iv. To secure attendance of outsiders with relevant expertise, if it considers necessary

a. Only i, ii, and iii b. Only i, ii, and iv c. Only ii, iii, and iv d. i, ii, iii, and iv 11.7.

Summary • Ethics can be defined as principles of morality or rules of conduct and moral judgment that differentiates right from wrong. • Business ethics refers to a set of rules, moral principles, and standards that explain how organizations and their employees should behave in a given situation. • Ethical behavior is vital for the success of an organization in the long run, both from macro (economic system) and micro (individual firm) perspectives. • Unethical behavior distorts the market system, leading to an inefficient allocation of resources. Such behavior can take the form of bribery, deceptive information, coercive acts, theft, and unfair discrimination. • Ethical behavior is a vital component for developing and maintaining trust in an individual firm. Trust helps in fostering good relations with suppliers, customers, and employees. • A code of ethics is a document containing a list of principles prepared for the purpose of guiding organization members when they encounter an ethical dilemma. • Ethical codes such as the Cadbury's code and the Kumar Mangalam Birla report on corporate governance have been laid down that define the principles of appropriate behavior in organizations.

11.8. Glossary • Bribe: Bribe makes a choice more attractive to a decision maker by enhancing the personal gain associated with it. This is done by paying an unearned income. • Business ethics: A set of rules, moral principles, and standards that explain how organizations and their employees should behave in a given situation. • Code of ethics: A document containing a list of principles prepared for the purpose of guiding organization members when they encounter an ethical dilemma.

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Ethical responsibilities: Behaviors and activities that are expected of business by members in the society. • Ethics: Principles of morality or rules of conduct and moral judgment that differentiates right from wrong. • Trust: It is the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group, or firm to recognize and protect the rights and interests of all others engaged in a joint endeavor or economic exchange. • Values: Principles of conduct like honesty, keeping of promises, pursuit of excellence, loyalty, fairness, and integrity.

11.9. Self-Assessment Test 1. Ethics identifies the rules that should govern people's behavior and the good principles that are desirable. Define ethics. 2. 'Ethical behavior is vital for the success of an organization in the long run, both from the macro (economic system) and the micro (individual firm) perspectives.' Substantiate this statement. The Cadbury committee laid down certain recommendations pertaining to the boards and accounting systems of the companies in order to reduce the risks and failures involved in corporate governance. What were the recommendations given by the Cadbury committee? The Kumar Mangalam Birla committee was set up to view corporate governance from the perspectives of the investors and shareholders. This was to promote and raise the standards of corporate governance. In this regard, highlight the recommendations given by the committee.

11.10. Suggested Readings / Reference Material 1. Francis Cherunilam, "Global Economy and Business Environment," Himalaya Publishing House, 2017 2. V K Puri, S K Misra and S "Economic Environment of Business," Himalaya Publishing House, 11th Edition, 2020 3. Gary Ferraro, "Cultural Dimension of International Business," Dorling Kindersley (India) Pvt Ltd, 7th Edition, 2017 4. Foreign Trade Policy 2015-20, Government of India, Ministry of Commerce & Industry; Department of Commerce 5. Dr. Avtar Singh. Law of CONTRACT & Specific Relief Paperback, January 2017 6. Company Law, G.K. Kapoor, Sanjay Dhamija, Vipin Kumar Taxmann's Company edition, 2018 7. Company Law by Avtar Singh, Edition: Eastern Book Company Web store, 17th, 2018, reprinted with Supplement 2021 8. Dr. Vinod K Singhania & Dr. Kapil Singhania Direct Taxes Law & Practice Professional Edition, Publication dated April 2021 - Taxmann Publications, 2021

Block-3: Business Environment and Law 60 Additional References: 1. India's turning point, McKinsey Global Institute, <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/India/Indias%20turning%20point%20An%20economic%20agenda%20to%20spur%20growth%20and%20jobs/MGI-Indias-turning-point-Executive-summary-August-2020-Final.pdf>, 25th August 2020 2. RCEP's Birth Is Oversold As The World's Largest New Free-Trade Area, Forbes, Harry Broadman- Forbes team, <https://www.forbes.com/sites/harrybroadman/2020/11/30/rceps-birth-is-oversold-as-the-worlds-largest-new-free-trade-area/?sh=570f05bf2a53>, 30th November 2020 3. Cyber security, Emerging challenges and solutions for the boards of F S companies, Mc Kinsey team, <https://www.mckinsey.com/business-functions/risk/ourinsights/cybersecurity-emerging-challenges-and-solutions-for-the-boards-offinancial-services-companies>, 2nd October 2020 4. How Artificial Intelligence (AI) will empower tax functions, EY Global, https://www.ey.com/en_gl/tax/how-artificial-intelligence-will-empower-the-taxfunction, 17th November 2020

11.11. Answers to Check Your Progress Questions Following are the answers to the Check Your Progress questions given in the unit. 1. (

- a)
- Ethics

The word 'ethics' is derived from the Latin word 'ethicus' and the Greek word 'ethikos', meaning character or manners. Ethics can be defined as principles of morality or rules of conduct and moral judgment that differentiates right from wrong. It is a system of rules that governs the ordering of values. 2. (c) Values Ethics is a system of rules that governs the ordering of values. Values are principles of conduct like honesty, keeping of promises, pursuit of excellence, loyalty, fairness, and integrity. 3. (c) Only ii and iii Statements ii and iii hold true regarding business ethics. Statement i give the definition of values. 4. (b) It is a less efficient and effective way of allocating a country's resources than an economic system in which a central authority allocates the country's resources. All the statements are true regarding a market system, except statement 'b'. The market system is considered as a more efficient and effective way of allocating a country's resources than a command system (an economic system in which a central authority allocates the country's resources).

Unit 11: Ethics in Business 61 5. (

c) Only i, iii, and iv Statements i, iii, and iv are all factors that contribute to the effective functioning of the market system, except statement ii. People are sometimes forced to buy items that provide less satisfaction as more such items are produced, and fewer of the items that provide more satisfaction as less of them are produced. This behavior distorts the market system. 6. (d) i, ii, iii, and iv A market system may function improperly when information concerning the goods or services is incorrect, or when either the buyers or the sellers are not free to exchange. Unethical behavior also distorts the market system, leading to an inefficient allocation of resources. 7. (

b) Only i and iv Statements i and iv are true regarding bribery, whereas statements ii and iii are false.

A bribe makes the choice less attractive, and generally provides less satisfaction. It reduces the freedom of choice by changing the conditions under which a decision is made. 8. (d) Deceptive information Deceptive information creates false impressions and makes buyers purchase products that provide less satisfaction than those which would have been purchased using correct information. Such information may also lead to goods or services being delivered at times other than promised. 9. (d) i, ii, iii, and iv Preventing a seller from dealing with certain customers, preventing buyers from purchasing from certain sellers, or preventing buyers from buying certain products and/or services, etc., are certain coercive acts. Such acts decrease effective competition, lead to higher prices, and result in inferior products and/or services being provided. All these, in turn, lead to a decrease in the satisfaction of buyers. 10. (d) i, ii, iii, and iv All the statements are true regarding theft and unfair discrimination. Both these are unethical behaviors that distort the market system. 11. (a) Trust L T Hosmer defined trust as, "Trust is the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group, or firm to recognize and protect the rights and interests of all others engaged in a joint endeavor or economic exchange." 12. (c) i/r, ii/p, iii/q Trust comprises three basic elements -- dependability, predictability, and faith. Dependability provides assurance that one can be counted on to perform as expected. Predictability tends to eliminate surprises, which are not usually welcome in the business environment. Faith is the belief that one will continue to be predictable and dependable.

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and Law 62 13. (d) i, ii, iii, and iv All the statements given above are true regarding the role played by trust in supplier relations. Suppliers are the important stakeholders of an organization as they provide inputs such as raw materials, products, and services to an organization that enables it to carry out its business. Organizations try to develop long term relations with their suppliers. 14. (d) i, ii, iii, and iv All the factors given above promote trust among employees. A climate of trust in an organization provides improved communication, greater predictability, dependability, and confidence among its employees. 15. (d) i, ii, and iii A climate of trust in an organization provides improved communication, greater predictability, dependability, and confidence among its employees. Some factors that promote trust among employees are -- open communication, involving workers in decision making, sharing of critical information, and sharing of perceptions and feelings. 16. (d) Perception of honest and open communication only up the organizational ladder In a study conducted at General Motors, it was found that five factors appeared to be correlated with trust in one's employer. These are: perception of honest and open communication both up and down the organizational ladder; shared goals and values between workers and supervisors; faith and consistent treatment of employee groups; autonomy from close supervision, a sign of personal trust in employees; and feedback from and to management regarding employees' performance and responsibilities. 17. (b) Code of ethics A code of ethics is a document containing a list of principles prepared for the purpose of guiding organization members when they encounter an ethical dilemma. 18. (d) i, ii, iii, and iv Most ethical codes address subjects such as employees' conduct, community and environment, shareholders, customers, suppliers and contractors, political activity, and technology. Code of ethics also addresses topics such as conflicts of interest, confidentiality of corporate information, misappropriation of corporate assets, bribery, and political contributions. 19. (a) Boards should have separate audit and remuneration committees made up entirely of executive directors. All the statements are true regarding the recommendations given by the Cadbury committee, except for statement (a). Boards should have

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separate audit and remuneration committees made up entirely of independent directors. 20. (d) i, ii, iii, and iv All the given statements are the recommendations given by the Kumar Mangalam committee on corporate governance. The main objective of the committee was to view corporate governance from the perspectives of the investors and shareholders, and promote and raise the standards of corporate governance. 21. (d) i, ii, iii, and iv All the statements given above are the powers of the audit committee. These were recommended by the Kumar Mangalam committee on corporate governance.

i Business Environment and Law Course Components BLOCK I The Socio-Political Environment of Business Unit 1 Business Environment: An Introduction Unit 2 Demographic and Social Environment Unit 3 Cultural Environment Unit 4 Political Environment BLOCK II The Economic and Technological Environment of Business Unit 5 Economic Environment Unit 6 Financial Environment Unit 7 Trade Environment Unit 8 Technological Environment BLOCK III The Legal and Ethical Environment of Business Unit 9 Legal and Regulatory Environment Unit 10 Tax Environment Unit 11 Ethics in Business BLOCK IV Business Contracts Unit 12 Law of Contracts Unit 13 Special Contracts BLOCK V Law Relating to Corporate Business Entities Unit 14 Insolvency and Bankruptcy Code, 2016 Unit 15 A Brief Note on Companies Act, 2013 BLOCK VI Tax Laws Unit 16 Direct Taxes Unit 17 Goods and Services Tax: An Overview

Hit and source - focused comparison, Side by Side

Submitted text	As student entered the text in the submitted document.
Matching text	As the text appears in the source.

1/14	SUBMITTED TEXT	27 WORDS	100% MATCHING TEXT	27 WORDS
<p>Fashion brands have held online shows, film producers and distributors have shifted to over-the-top (OTT) media services, and corporate brands have led their companies towards digitisation.</p> <p>W https://law.asia/updates-trademark-law-india/</p>		<p>Fashion brands have held online shows, film producers and distributors have shifted to over-the-top (OTT) media services, and corporate brands have led their companies towards digitisation</p>		
2/14	SUBMITTED TEXT	42 WORDS	92% MATCHING TEXT	42 WORDS
<p>the preferred interaction channels of consumers and brands, the nature of the protection of brands has expanded and the IP fraternity has seen expansions in filings due to the digital shift of brands, and additional enforcement mechanisms followed by these brands.</p> <p>W https://law.asia/updates-trademark-law-india/</p>		<p>the preferred interaction channels of consumers and brands, the nature of the protection of brands has expanded substantially. As a result, the IP fraternity has seen expansions in filings due to the digital shift of brands, and additional enforcement mechanisms followed by these brands.</p>		
3/14	SUBMITTED TEXT	36 WORDS	90% MATCHING TEXT	36 WORDS
<p>issues with counterfeit goods available on online portals are faced by numerous brands. Infringers and counterfeiters are actively scamming consumers through online channels by marketing branded goods and selling cheap and fake products. .</p> <p>W https://law.asia/updates-trademark-law-india/</p>		<p>issues with counterfeit goods available on online portals were faced by numerous brands. Infringers and counterfeiters were actively scamming consumers through online channels by marketing branded goods and selling cheap and fake products.</p>		
4/14	SUBMITTED TEXT	41 WORDS	94% MATCHING TEXT	41 WORDS
<p>to prevent counterfeiting and deceit. Further the liability of intermediaries has increased, and robust mechanisms such as Amazon's brand registry were brought in as a way to protect brands and give them direct control of their products online.</p> <p>W https://law.asia/updates-trademark-law-india/</p>		<p>to prevent counterfeiting and deceit, the liability of intermediaries has certainly increased, and robust mechanisms such as Amazon's brand registry were brought in as a way to protect brands and give them direct control of their products online.</p>		

5/14	SUBMITTED TEXT	24 WORDS	93% MATCHING TEXT	24 WORDS
<p>As both counterfeiters and original brands sell their products online, the enforcement battle between the two brings the trademark law into the picture.</p> <p>W https://law.asia/updates-trademark-law-india/</p>		<p>As both counterfeiters and original brands sell their products online, the enforcement battle between the two brings the accepted position of trademark law into the picture,</p>		
6/14	SUBMITTED TEXT	27 WORDS	100% MATCHING TEXT	27 WORDS
<p>The brand with prior use, enforcement and recognition will gain from brand registry on e-commerce platforms, rather than brands with little to no enforcement or use.</p> <p>W https://law.asia/updates-trademark-law-india/</p>		<p>The brand with prior use, enforcement and recognition will gain from brand registry on e-commerce platforms, rather than brands with little to no enforcement or use,</p>		
7/14	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
<p>The licensees are assigned specific rights and special provisions are also made to ensure enforcement in Indian markets in these cases.</p> <p>W https://law.asia/updates-trademark-law-india/</p>		<p>The licensees are assigned specific rights under a licensing agreement, and special provisions are also made to ensure enforcement in Indian markets in these cases.</p>		
8/14	SUBMITTED TEXT	42 WORDS	98% MATCHING TEXT	42 WORDS
<p>India losing \$10.3 bn every year due to tax abuse by MNCs, evasion India is losing over \$10.3 billion (about Rs 75,000 crore) in taxes every year owing to global tax abuse by MNCs and evasion by private individuals. A report</p> <p>W https://www.business-standard.com/article/economy-policy/india-losing-10-3-bn-in-taxes-per-year-d ...</p>		<p>India losing \$10.3 bn every year due to tax abuse by MNCs, evasion: Report India is losing over \$10.3 billion (about Rs 75,000 crore) in taxes every year owing to global tax abuse by MNCs and evasion by private individuals, a report</p>		
9/14	SUBMITTED TEXT	25 WORDS	100% MATCHING TEXT	25 WORDS
<p>globally countries are losing a total of over \$427 billion in taxes each year to international corporate tax abuse and private tax evasion.</p> <p>W https://www.business-standard.com/article/economy-policy/india-losing-10-3-bn-in-taxes-per-year-d ...</p>		<p>globally countries are losing a total of over \$427 billion in taxes each year to international corporate tax abuse and private tax evasion.</p>		

10/14	SUBMITTED TEXT	54 WORDS	71% MATCHING TEXT	54 WORDS
	With regard to India, the report said \$10.3 billion, or 0.41 per cent of the \$3 trillion GDP, is lost in taxes every year to global tax abuse. Major amount to the extent of over \$10 billions is by multinational corporations (MNCs) and \$300 million to tax evasion committed by private individuals. The		With regard to India, the report said \$10.3 billion, or 0.41 per cent of the \$3 trillion GDP, is lost in taxes every year to global tax abuse. Of this, over \$10 billion is lost to tax abuse by multinational corporations (MNCs) and \$200 million to tax evasion committed by private individuals. The	
	W https://www.business-standard.com/article/economy-policy/india-losing-10-3-bn-in-taxes-per-year-d ...			
11/14	SUBMITTED TEXT	33 WORDS	100% MATCHING TEXT	33 WORDS
	India is most vulnerable to illicit financial flows in the form of outward FDI and listed Mauritius, Singapore and the Netherlands as the trading partners which are most responsible for this vulnerability		India is most vulnerable to illicit financial flows in the form of outward FDI and listed Mauritius, Singapore and the Netherlands as the trading partners which are most responsible for this vulnerability.	
	W https://www.business-standard.com/article/economy-policy/india-losing-10-3-bn-in-taxes-per-year-d ...			
12/14	SUBMITTED TEXT	52 WORDS	69% MATCHING TEXT	52 WORDS
	Companies doing business in China are more susceptible to risks such as fraudulent reporting, misappropriation of assets and lack of management integrity. Since maintain relationships 'with government bodies, investors, partners, and even with staff is most important factor in the vendor selection process , engaging with agents, consultants and business partners.		Companies doing business in China are more susceptible to certain risks including fraudulent reporting, misappropriation of assets and lack of management integrity. 'Guanxi' or 'relationships', are of particular importance in China; relationships with government bodies, investors, partners, and even with staff. 'Guanxi' is often an important factor in the vendor selection process as well as when a companyis engaging with agents, consultants and business partners.	
	W https://www.tradecommissioner.gc.ca/china-chine/market-facts-faits-sur-le-marche/153381.aspx?lang=eng			
13/14	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	b. Official and commercial bribery required to get things done:		b. Official and commercial bribery required to get things done: •	
	W https://www.tradecommissioner.gc.ca/china-chine/market-facts-faits-sur-le-marche/153381.aspx?lang=eng			

14/14	SUBMITTED TEXT	37 WORDS	72% MATCHING TEXT	37 WORDS
<p>No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means – electronic, mechanical, photocopying or otherwise – without prior permission</p>				
<p>SA CU-BCOM-SEM-III-Business Environment.pdf (D103386460)</p>				