From a discussion group on the Guardian's *Comment is Free*
*A design office in the UK designs a widget. They have a three room office in Hull. It sells all over the world for £500 a go. It is made in China, where the vast factory is paid £10 per unit over costs. The UK company makes £300 profit per unit.*

*Explain to me how land value tax works on this, given you want to get rid of corporation tax and income tax?*

If anyone can run that sort of business from a three room office in Hull, good luck to them. What do they owe the community at large that should make them liable to pay any more tax than that of the land they occupy?

In practice this does not and could not happen. This widget is actually a sophisticated consumer product. Designing the widget and bringing it into the shops would involve the company in huge research, development, marketing and other start-up costs. All that could not be done in a three room office anywhere. Nor could it be done effectively in a marginal location like Hull. Actual engineering design companies like the one implied here have to situate themselves in accessible places, typically Swindon, Oxford, Milton Keynes, Loughborough or Greater London, not Hull, which is literally at the end of the line. Moreover, these companies tend to get paid for their initial work and then retained.

The fact that it was necessary to postulate such an artificial and unreal situation takes away most of whatever force the argument might originally have had.