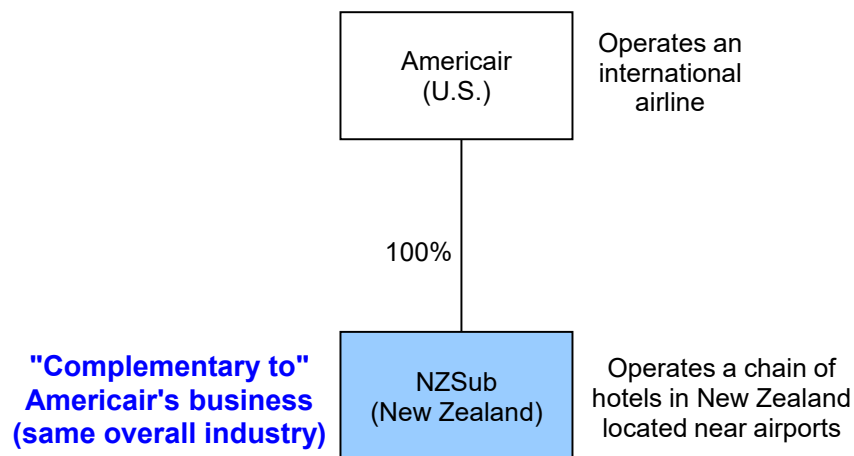


**New Zealand Protocol (2008)
Treasury Tech. Explan.,
Article 16, Paragraph 3,
Example 3**

**New Zealand Hotels
"Complementary to"
Airline Business**

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Limitation on benefits:

Active trade or business test ("derived in connection with")

Ameriair is a corporation resident in the United States that operates an international airline. NZSub is a wholly-owned subsidiary of Ameriair resident in New Zealand. NZSub operates a chain of hotels in New Zealand that are located near airports served by Ameriair flights. Ameriair frequently sells tour packages that include air travel to New Zealand and lodging at NZSub hotels. Although both companies are engaged in the active conduct of a trade or business, the businesses of operating a chain of hotels and operating an airline are distinct trades or businesses. Therefore NZSub's business does not form a part of Ameriair's business. However, NZSub's business is considered to be complementary to Ameriair's business because they are part of the same overall industry (travel) and the links between their operations tend to make them interdependent.

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