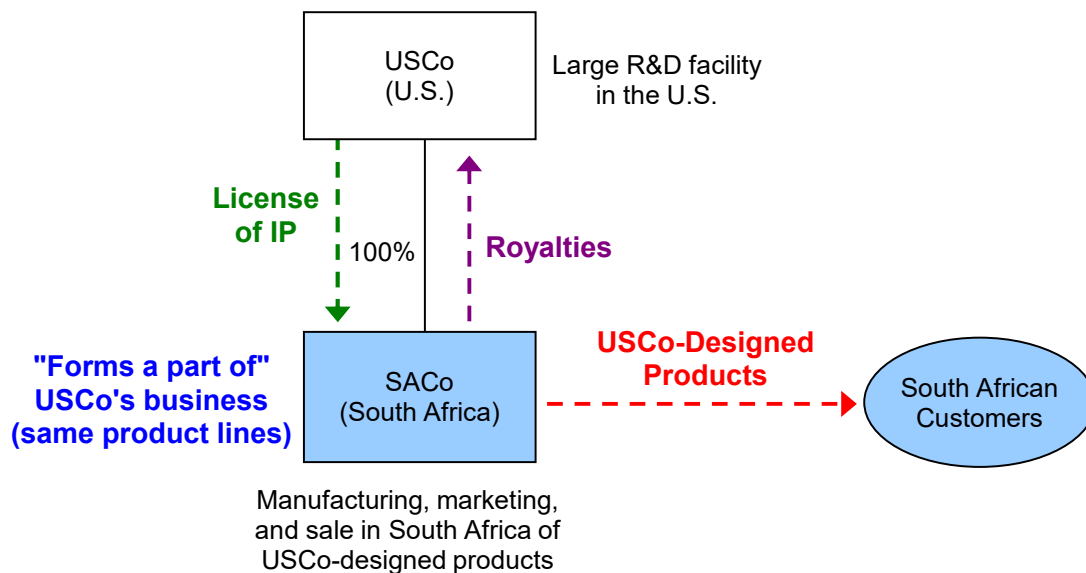


**South Africa Treaty (1997)  
Treasury Tech. Explan.,  
Article 22, Paragraph 3,  
Example 2**

**South African Manufacturer  
Activity "Forms a Part of"  
U.S. R&D Activity**

Copyright © 2021 Andrew Mitchel LLC  
International Tax Services  
www.andrewmitchel.com



**Limitation on benefits:**

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

USCo is a corporation resident in the United States. USCo owns 100 percent of the shares of SACo, a corporation resident in South Africa. USCo operates a large research and development facility in the United States that licenses intellectual property to affiliates worldwide, including SACo. SACo and other USCo affiliates then manufacture and market the USCo-designed products in their respective markets. Since the activities conducted by SACo and USCo involve the same product lines, these activities are considered to form a part of the same trade or business.

[HUNDREDS of additional charts at www.andrewmitchel.com](http://www.andrewmitchel.com)