United States of America Employee Tax Guide

Employee Share Purchase Plan

Introduction

The following is a summary of the tax treatment of awards made under the Micro Focus Employee Share Purchase Plan (the "Plan"). This summary assumes that you have been resident in United States of America during the lifecycle of the award (i.e. from the beginning of the Savings Period to the Sale of shares) and that you are not subject to taxes (including Social Tax) in relation to the plan in any other jurisdiction.
The tax treatment as explained herein is intended as a guide only. It is limited to a general description of the national tax laws, and is not intended to address city, regional, or other local tax laws that may be applicable to you. It may not apply to your particular tax or financial situation, and we are not in a position to assure you of any particular tax result. Therefore, we recommend that you consult with your own independent tax advisor regularly to determine the consequences of taking or not taking any action concerning your shares, and to determine how the tax or other laws in United States of America apply to your specific situation.

This information was last reviewed in December, 2021

Summary Table

Award	• The ESPP allows you to purchase Micro Focus shares at a discount. • You are **not subject to taxation on equity** at this point.

Purchase	• You are **not subject to taxation on equity** at this point.

Sale	• The date you sell Micro Focus shares. • You will **be subject to tax** at this point. • A portion of your gain at sale will be considered taxable ordinary income. • You are **responsible for paying income tax due.** • **Micro Focus is responsible for reporting the income.** • You are also **responsible for calculating the tax and reporting this income.** • This event may generate additional income known as Capital Gain (CG), or a loss. • If there is a **Capital Gain** on the sale of shares, tax is due in the tax year of sale. • You are responsible for calculating the tax and reporting this capital gain.

Reporting / Tax Withholding

How will any benefits under the ESPP be reported?

It will be your duty to report the ESPP benefits in your individual tax return, due by April 15.

Sale

Will I pay any tax when I sell my shares?

The tax treatment of Sale depends on whether the Sale is a Qualifying Disposition, or Disqualifying Disposition.

The Sale will be a Qualifying Disposition if the shares sold have been held for more than one year from the date of Purchase and more than two years from the start of the Savings Period. If these requirements are not met, the Sale will be a Disqualifying Disposition.

Qualifying Disposition:
If the Sale is a Qualifying Disposition, then providing the fair market value of the shares on the date of Sale is higher than the price paid for the shares, you will be subject to Income Tax in the year of Sale equal to the lesser of:

- the amount by which the fair market value of the shares on the date of Sale exceeds the price paid for the shares; or
- 15% of the fair market value of the shares on the first day of the Savings Period.

If the fair market value of the shares on the date of Sale is less than the price paid, no Income Tax will arise on Sale.

Disqualifying Disposition:
If the Sale is a Disqualifying Disposition, you will generally be subject to Income Tax in the year of Sale.

The taxable amount will be the fair market value of the shares on the date of Purchase less the price paid for the shares.

In either case:

The amount on which you are subject to Income Tax will be added to your base cost for the shares and any additional gain recognised on the Sale will be taxed as a capital gain (if the shares have been held for more than one year, this will be a long-term gain).

As the calculation of capital gains can be complex and may be subject to certain exemptions, we recommend that you consult your personal financial/tax advisor.
