



# Microsoft 365 Licensing Explained Simply

*A Simple Guide to Choosing the Right Microsoft 365 Licences*

- ✓ Simple
- ✓ Trust-building
- ✓ Exactly matches guide ka purpose

**Prepared by  
Computer Support Centre**

<https://computersupportcentre.com>

# **Microsoft 365 Licensing Explained Simply (UK SMEs)**

## Executive summary

- Microsoft 365 licenses are issued to an individual user and cannot be combined for use with multiple machines or businesses.
- Many UK-based SMEs pay for Microsoft licenses that include components that they do not need.
- Microsoft 365 Business Basic, Business Standard, and Business Premium provide 90% of the required features for SMEs.
- You may also mix and match Microsoft licenses based on the needs of your organisation.
- Security features of the different types of licenses available vary significantly – this is where most organisations make mistakes.
- Licenses are not required for shared mailboxes.
- Under some conditions, Business Premium licenses can save you money compared to purchasing additional licenses for security features.
- Enterprise plans (E3/E5) are not used by most small businesses.
- Any Microsoft license can be increased, decreased or changed at any time.
- Conducting an annual review of your licenses could save your business 10-30% on your spending with Microsoft.

## Who this guide is for

- UK SMEs (1–250 staff)
- Owners, finance managers, ops leads
- Non-technical decision makers
- Businesses already using OR considering Microsoft 365

## How Microsoft 365 licensing works

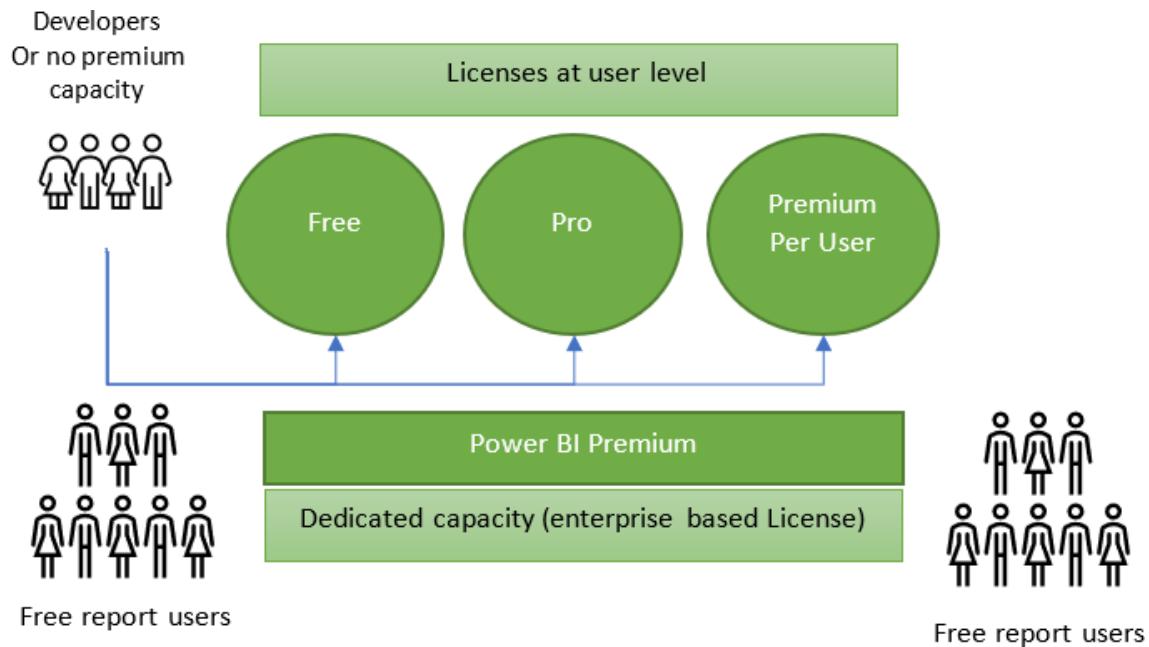
Microsoft 365 (also known as M365) is an email productivity collaboration and security bundle that you pay for monthly or yearly per user. In the UK, either Microsoft or resellers will sell this product at prices in GBP excluding VAT (for most businesses, this would be approximately 20% more). The typical range for licensing is £4.60/user/month basic to £16.90/month for premium features, but these fluctuations can vary and always obtain quotes when required from a reseller.

Licensing is based on each user having a separate license; however, all employees may have different types of licenses as needed. A shared mailbox (such as info@yourbusiness.co.uk) does not need a licence if it is used sparingly, as well as add-on services that fill the gaps, such as: additional cloud storage and better security.

Expect a moderate price increase (5-10% per year) and new features like Copilot AI in 2026, starting in mid-year as available to all Business Plans for drafting email and documents. New Business Data Compliance with high-level systems for documenting and complaint handling as

required by DUAA in 2025, but for SMEs, it primarily relates to acquiring the proper licences for secure data processing, without going overboard.

There are three primary groups of services available: Business (for small to mid-size businesses with up to 300 users), Apps for Business (only the apps without added security), and Enterprise (for unlimited employees). Choose the group of services that best suits your business and security needs (e.g. Premium for security; Apps for Business if you only need the apps). Review annually to make changes to or downgrade your subscription to save money.



## Licence Types Explained Simply

### Comparison Table

Licence	Email	Office Apps	Security Features	Management	Typical User
Business Basic	Yes (50GB)	Web/mobile only	Basic (MFA, anti-malware)	None	Entry-level/remote workers
Business Standard	Yes (50GB)	Full desktop/web/mobile	Basic (MFA, anti-malware)	None	Office-based teams needing apps
Business Premium	Yes (50GB)	Full desktop/web/mobile	Advanced (Defender, DLP)	Yes (Intune)	Businesses needing security
Apps for Business	No	Full desktop/web/mobile	None	None	App-only users (no email need)
Enterprise E3	Yes (100GB)	Full	Advanced (Defender,	Yes (Intune)	Larger/more

	)	desktop/web/mobile	DLP)		complex setups
Enterprise E5	Yes (unlimited)	Full desktop/web/mobile	Premium (advanced threat, analytics)	Yes (advanced Intune)	Enterprises with high compliance

Prices are approximate excl. VAT (2026 estimates: Basic £4.60, Standard £9.60, Premium £16.90, Apps £6.70, E3 £31.50, E5 £51.50/user/month)—check current with resellers.

## Business Basic

- **Target Market/Users:** Small teams who have email capabilities/collaboration tools but can only use web applications (i.e., no full desktop versions).
- **Includes:** Email (50GB), Teams, OneDrive (1TB), Web and Mobile Office Applications, Minimal Security (MFA, Anti-Spam).
- **Not Included:** Desktop Applications (e.g. installed Excel), Advanced Security (Defender / Intune), Unlimited Storage.
- **Common Mistakes:** Choosing whether to upgrade or not based on whether they'll need desktop applications and mixing Business Basic into Business Premium without proper planning.

## Business Standard

- **Target Market/Users:** Teams who need both full access to desktop applications as well as Basic Security.
- **Includes:** All Business Basic features plus Desktop Office Applications, Bookings, and Loop for Collaboration.
- **Not Included:** Advanced Threat Protection, Device Management – All have Add-ons that need to be purchased for proper security coverage.
- **Common Mistakes:** Underestimating their Security Requirements in 2026 due to increased Threats. Paying too much if Desktop Apps are not used.

## Business Premium

- **Target Market/Users:** Businesses that store Sensitive Data and have Remote Work needs, with Strong Security.
- **Includes:** All Business Standard features plus Defender (Anti-Malware / EDR), Intune (device management), DLP (Data Loss Prevention), Advanced Compliance.
- **Not Included:** Unlimited Storage (may purchase as Add-on), Premium AI Analytics (E5 Level).

- **Common Mistakes:** Purchasing Business Premium for all users, but utilising it for only a subset of users; Ignoring Initial Setup Costs for Intune.

## Apps for Business

- **For whom:** Users who require Office applications, but don't need an email (i.e. email only plans that may already have established).
- **What they include:** All versions of Office on desktop, web and mobile; 1TB of OneDrive storage.
- **What they don't include:** Email, Teams, and security solutions; Use Exchange Online as an add-on.
- **Common Mistakes:** Users often forget that Business Apps is only for Office applications, and use for Email as well, which adds unnecessary costs.

## Enterprise Plans (E3/E5 – High-Level)

- **For whom:** SMEs with a larger and more complex business (more than 100 staff) or those with a high level of Compliance requirements.
- **What is included in E3:** Unlimited emails, all Office applications, and basic Security Protection. What is included in E5: Everything included in E3, plus Advanced Threat Analytics and AI Compliance Tools.
- **What does Not Include:** SMEs will have a more complicated set-up than most small businesses, and therefore have higher costs (est. ~£31.50 - £51.50 per user/month).
- **Common mistakes:** SMEs tend to choose Enterprise plans too early. Stay with business options for the majority of SMEs, and underuse many available features.

## Add-Ons

- **For whom:** Used to fill in gaps (e.g. Email Only Teams).
- **What is included in Add-Ons:** Exchange Online (Email, Est. ~£3.30/user/month), Defender Add-Ons (Threat Protection), Intune (Device Management, Est. ~£7/user/month).
- **What is Not Included:** Full Add-Ons. Add-Ons should be used with care, to avoid creating unnecessary complexity.
- **Common mistakes:** Adding Add-Ons without determining a need, and not reviewing annually.

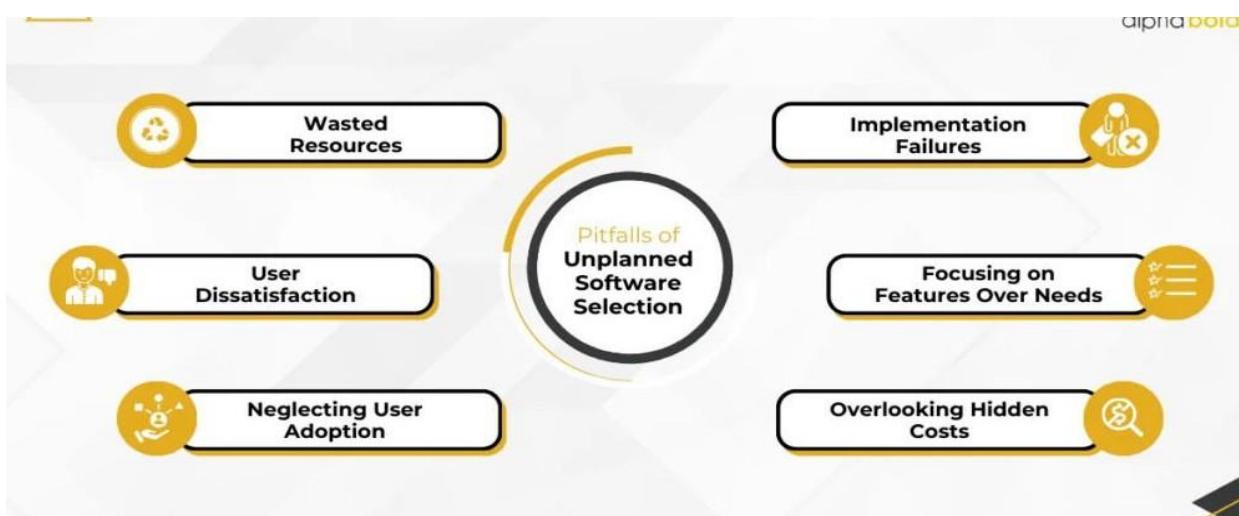
## How to Choose the Right Licence

Use this decision framework to pick:

- **Count of Users/Business Plan:** Less than 300? Business Plans, More Than 300? Enterprise Solution.

- **Core Email Functional Profiles:** No Apps Required, Need a Desktop Application? Do Not Require Basic Apps.
- **Data Security/Device Management:** Premium For Sensitive Data/Remote Work, Basic OK For All Other Uses.
- **Role-Based Assignment:** Manage Role (e.g., Premium for Managers/Basic for Admins), Potential Savings: 20-30%.
- **Budget Consideration:** Start Low, Upgrade As Needed, Annual Review Allows for Optimisation.
- **Trial/Testing:** Use 30-Day Trials, Obtain Reseller Price Quote Including VAT and Configurations Set-Up.
- **Frontline vs Office Workforce:** Frontline Workforce (e.g., Shop Floor)? Use F1/F3 Plans (Approx £3-£6/Per User), Office Workforce? Use Standard/Premium Plans.
- **When to Choose Premium Plans:** If Cybersecurity Risks Are High (i.e., phishing resistant), the Cost of Additional Premium Plan (approx £7/Per User) for Defender and Intune Justifies Itself.
- **When to Choose Not to Go Enterprise:** Most SMEs will Find the Business Plan Sufficient for Their Needs, Enterprise Offers Unlimited/Unified Compliance.
- **Reviews:** Annual Audits (Through Resellers) to Identify Unused Features for Possible Downgrade.

**Per-User Access:** Each User Through Individualised Access. Team Use of Shared Mailboxes Is Free. No Per-User License Is Required for Non-Primary Mailbox Users.



## Common Licensing Mistakes & Overspend Risks

- Using the Same License for Everyone
- Paying for Users Who Are No Longer Active
- Licensing Shared Mailboxes

- Purchasing Security Tools Multiple Times
- Not Regularly Reviewing Licenses
- Assuming Microsoft Will Handle Security

## FAQs

### ➤ Which Microsoft 365 License Do We Need?

It depends on the specific roles of individuals within an organisation, what devices will be used, and what the security needs are; not what size (large vs small) the company is.

### ➤ Can We Have Different Licenses?

Yes; most small/medium size businesses do.

### ➤ Is a Business Premium License Necessary for Security?

Usually yes; this is especially true for companies employing remote workers.

### ➤ What Happens If Someone Leaves?

The license can be revoked and reassigned.

### ➤ Can We Change Licenses After Purchase?

Yes; it is permissible to upgrade and downgrade licenses.

### ➤ Do Shared Mailboxes Require a License to Operate?

No; shared mailboxes do not require licensing.

### ➤ Is VAT Included With Licenses?

Most UK businesses will have VAT added to the cost of licenses (this is a basic overview).

### ➤ Does Microsoft 365 License Backups With A License?

No; backups are considered separate from the Microsoft 365 license itself.

### ➤ Is Microsoft 365 Secure by Default?

Microsoft 365 will provide very basic (Low-level) security features at initial setup.

### ➤ Do We Require the E3 or E5 License?

E3 or E5 are rarely needed for small-medium-sized businesses.

### ➤ Can a Single User Possibly Hold Multiple Licenses?

Most often times, users do not need to hold multiple licenses.

### ➤ How Often Should We Review Our Licenses?

At least once a year.

## About This Guide

**Computer Support Centre** has put together this guide to assist UK Small / Medium Business owners in better understanding Microsoft 365 Licensing. By providing a clear and practical way forward, this guide will help; clarify, improve upon previous problems, and inform you of common areas where potential errors exist that cause unintentional oversight along with how to avoid these types of situations in the future.

The objectives of the guide include:- to prevent confusion; to identify Frequently Made Errors Related To Licensing, to provide you with information enabling you to make educated choices regarding your business' use of Microsoft 365 whilst avoiding technical jargon and providing you with an opportunity to save the unnecessary costs associated with over-license use.

If you learn more about **Computer Support Centre**, our services, and our approach, please visit our official website:

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## Conclusion

Choosing a Microsoft 365 licence is more than just purchasing the highest-priced plan. To find the most suitable plan for your company, it is essential to understand what each plan offers, how they differ from each other, common mistakes made when purchasing Microsoft 365 licences and understanding how to minimise expenses while maximising productivity and security.

This guide will support decision-makers as they evaluate Microsoft 365 licences. It will provide practical steps for reviewing the company's Microsoft 365 licences on a recurring basis and assist decision-makers with making informed decisions regarding Microsoft 365 licences as their companies expand or restructure.

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