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ULTIMATE MICROSOFT 365 COPILOT LICENSING GUIDE

Microsoft 365 Copilot is an AI-powered assistant designed to enhance productivity across Microsoft 365 applications such as Word, Excel, Outlook, PowerPoint, and Teams.

This guide breaks down its licensing options, eligibility, and extensibility features to help businesses choose the right plan.

Free Microsoft 365 Copilot Chat vs. Paid Microsoft 365 Copilot

Feature	Free Copilot Chat	Microsoft 365 Copilot
GPT-4o Chat	✔ Yes	✔ Yes
File Uploads	✔ Yes (Limits Apply)	✔ Yes (More Integration)
AI-Generated Images	✔ Yes (Limits Apply)	✔ Yes (More Capabilities)
SharePoint Agents	✔ Yes	✔ Yes
Copilot for Microsoft Apps	✘ No	✔ Yes (Word, Excel, Outlook, etc.)
Enterprise Security & Compliance	Limited controls provided by the Copilot Control System	✔ Yes
Cost	Free	£25/month (Annual) or £26.50/month (Monthly)

Choose Free Copilot Chat if you need basic AI chat, occasional file uploads, and simple automation.

Choose Microsoft 365 Copilot if you require AI assistance in Microsoft 365 apps and enterprise-grade security.

If purchasing Microsoft 365 for the first time, you can add Copilot at checkout.

Microsoft 365 Copilot is designed with robust security and compliance measures to meet enterprise needs. Key benefits include:

- **Data Protection:** Your work data remains within Microsoft 365's security perimeter, ensuring that sensitive business information is not used to train AI models externally.
- **Enterprise Compliance:** Supports compliance with GDPR, HIPAA, ISO 27001, SOC 2, and other industry regulations.
- **Access Controls:** Uses Microsoft Entra ID (formerly Azure Active Directory) for secure authentication and role-based access management.
- **Audit Logging and Monitoring:** Provides detailed logs and security controls for administrators to track AI interactions and usage.

These security features ensure that businesses can safely integrate AI-powered tools into their workflows without compromising privacy or compliance.

ELIGIBILITY REQUIREMENTS FOR MICROSOFT 365 COPILOT

To use Microsoft 365 Copilot, users must have one of the following base licenses:

For Commercial Users

- Microsoft 365 Apps for enterprise or business
- Microsoft 365 Business Basic, Standard, or Premium
- Microsoft 365 E3, E5, F1, or F3
- Office 365 E1, E3, E5, or F3
- Exchange Online Kiosk, Plan 1, or Plan 2
- OneDrive for Business Plan 1 or Plan 2
- SharePoint Online Plan 1 or Plan 2
- Teams Essentials or Teams Enterprise

Note: Microsoft updates eligibility frequently. Check the latest requirements

<https://learn.microsoft.com/en-us/copilot/microsoft-365/microsoft-365-copilot-requirements>.

Copilot Studio enables businesses to create custom AI agents using low-code and generative AI.

Licensing & Pricing

- **Pay-as-You-Go:** No upfront cost, only pay for messages used. Cost: £0.008 per message. Ideal for businesses with variable AI usage.
- **Message Packs:** Prepaid 25,000 messages for £160/month per pack. Best for businesses with consistent AI usage.


SharePoint Agents Availability

Microsoft 365 Copilot includes SharePoint Agents, available to both Free Copilot Chat (paid for through PAYG) and Microsoft 365 Copilot users. These agents enable users to efficiently retrieve information from SharePoint documents, helping businesses access relevant knowledge quickly.

AI Builder allows businesses to integrate custom AI into Microsoft 365 and Power Platform applications.

Key Features:

- Use AI models in Power Apps, Power Automate, and Copilot Studio.
- Requires AI Builder credits, included in some licenses or purchased separately.
- AI prompts in Power Apps and Power Automate consume credits based on complexity.
- AI prompts within Copilot do not consume AI Builder credits but count as Copilot messages.
- Credit consumption is monitorable in the Microsoft 365 admin center.

 **Tip:** AI Builder is a premium feature in Power Apps. Adding AI actions converts an app into a premium app.

1. What are the requirements for Copilot?

To use Microsoft 365 Copilot, you must have an eligible Microsoft 365 or Office 365 license. Check the eligibility section above for details.

2. Do you need a subscription for Copilot?

Yes, Microsoft 365 Copilot requires an active Microsoft 365 subscription with an add-on purchase. However, Copilot Chat is available for free with limited features.

3. What can the free version of Copilot do?

The free Copilot Chat provides web-based AI chat, file uploads, and AI-generated images but lacks integration with Microsoft 365 applications like Word and Excel.


4. What are the different versions of Microsoft Copilot?

Microsoft offers two main versions:

- Copilot Chat (Free) – Basic AI chat without integration into Microsoft 365 apps.
- Microsoft 365 Copilot (Paid) – AI-powered assistance within Word, Excel, Outlook, and more.

5. Copilot licence cost (UK & USA)?

- UK: £25 per user/month (billed annually, 12-month commitment)
- USA: \$30 per user/month (billed annually, 12-month commitment)

 Non-profit organisations can benefit from a discounted rate on the Copilot license and will have the flexibility to pay monthly instead of an annual commitment.

6. What are the Copilot licence types?

- Free Copilot Chat – No cost, basic AI chat.
- Microsoft 365 Copilot – Paid add-on for full integration.

By understanding Microsoft 365 Copilot's licensing and extensibility options, businesses can maximise AI-driven productivity while optimising costs.



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