

Tax Engine Optimization (TEO) Changes FAQ

Updated June 19, 2017

Contents

| | |
|---|---|
| Overview/Background..... | 3 |
| Q: Why is Microsoft implementing invoicing changes? | 3 |
| Q: What is changing?..... | 3 |
| Q: How does this affect me? | 3 |
| Q: Is the Material Group the same as the Purchase Classification code?..... | 3 |
| Q: What does the Ship-to address represent?..... | 3 |
| Q: What Microsoft subsidiaries will be impacted by these changes?..... | 4 |
| Q: What is the timeline for other subsidiaries to be onboarded to this new process? | 4 |
| Invoice Process #1 – Submission through EI Template Upload..... | 5 |
| Q: What do I do if I submit invoices by uploading an Excel file to MS Invoice?..... | 5 |
| Q: Do I still need to send a tax code on my EI template? | 5 |
| Q: Where does the Ship-from address come from? | 5 |
| Q: How do I know which Purchase Classification to select? | 5 |
| Q: What checks are in place when submitting the EI Template?..... | 5 |
| Q: What if the EI Template gets rejected? | 5 |
| Q: How do I input a credit memo? | 5 |
| Invoice Process #2 – UI Portal via MS Invoice | 6 |
| Q: What do I do if I submit invoices to the UI Portal via MS Invoice?..... | 6 |
| Q: Where does the Ship-from address come from? | 6 |
| Q: Where does the Purchase Classification come from? | 6 |
| Q: Can I submit a different Purchase Classification than what’s listed on the PO?..... | 6 |
| Q: Where can I see the full list of Purchase Classifications? | 6 |
| Q: Is there a search function within the Purchase Classification field? | 6 |
| Q: If I change the Purchase Classification or Ship To information in MS Invoice will the information also be updated on my PO?..... | 6 |
| Q: How should I account for shipping and handling on my invoice for the new fields (Purchase Classification, Ship To and Ship From)?..... | 6 |
| Invoice Process #3 - Hard Copy Submission | 8 |
| Q: What do I do if I submit invoices via mail-in physical or emailed invoices?..... | 8 |

| | |
|--|---|
| Q: Where does the Ship-from address come from? | 8 |
| Q: Where does the Purchase Classification come from? | 8 |
| Q: Can I submit a different Purchase Classification than what's listed on the PO? | 8 |
| Q: Where can I see the full list of Purchase Classifications? | 8 |
| Q: Do I still need to include a tax code on the submitted invoice?..... | 8 |
| Q: Where on my invoice must I include this information? | 8 |
| Q: How do I process a VAT related credit note? (This only applies to UK) | 8 |
| Other Important Scenarios..... | 8 |
| Q: What happens if I have a blend of goods and services (i.e. marketing materials and marketing services)?..... | 8 |
| Q: Are the invoicing changes also applicable to POs which were opened before the invoicing changes go-live on August 11 th ?..... | 9 |
| Q: What if I submit my invoices using TyMetrix 360?..... | 9 |
| Notes: | 9 |

Overview/Background

Q: Why is Microsoft implementing invoicing changes?

A: Microsoft is making changes to MS Invoice and our payment processing systems to better improve our services to you, our suppliers and payees. These changes will streamline our payment processing with a more accurate representation of the goods and services you supply, and provide automatic validation of tax charges on your invoices.

Q: What is changing?

A: Beginning August 11th, 2017, three new data items will be required for each line-item on your invoices submitted through the MS Invoice tool [here](#), EI Template upload, or Hard Copy invoice submission.

1. **Ship-from address:** When billing for goods, it will be the location from which you shipped the good(s). When billing for services, it will be your home office or billing address
2. **Ship-to address:** It will be the location to which the good(s)/service(s) is being delivered
3. **Purchase Classification** (also known as Material Group): Indication of the type of good(s) or services(s) provided to Microsoft. The Purchase Classification code will be provided on your PO confirmation email from Microsoft. For non-PO invoicing, Microsoft will provide a list of all the acceptable Purchases Classification codes

Please note that you will not have access to MS Invoice while we are making changes to our systems. We estimate that MS Invoice will be unavailable from 5:00pm PST on August 11th, 2017 to 12:00pm PST on August 12th, 2017. Once MS Invoice is up and running on August 12th, 2017, you will need to provide the three new fields noted above.

Q: How does this affect me?

A: Depending on how you submit your invoices to Microsoft, you will provide the new information in different ways. Please see the three subsequent sections for detailed information.

You may require system changes to incorporate invoicing process changes. If so, please do this proactively for seamless invoice submission post-August 11th.

For any employees impacted by invoicing changes, please also forward all invoicing process communications and training invitations to ensure your team is fully aware.

Q: Is the Material Group the same as the Purchase Classification code?

A: Yes. Purchase Classification code is the SAP term for Material Group.

Q: What does the Ship-to address represent?

A: The Ship-to address represents the location to which the goods(s)/service(s) are being delivered.

Q: What Microsoft subsidiaries will be impacted by these changes?

A: Companies that have transactions submitted to Microsoft in one or more for the following subsidiaries:

Sweden, Denmark, Norway, Finland, Netherlands, Switzerland, Belgium, Ireland, Portugal, Spain, Italy, Austria, Australia, Egypt, France, Germany, Kuwait, Lebanon, Pakistan, Puerto Rico, Qatar, Saudi Arabia, UAE, United Kingdom, United States

Q: What is the timeline for other subsidiaries to be onboarded to this new process?

A: At this time Microsoft has no plan to onboard any other subsidiaries to the new invoice changes. All other subsidiaries not listed above will continue to invoice using their current process.

Invoice Process #1 – Submission through EI Template Upload

Q: What do I do if I submit invoices by uploading an Excel file to MS Invoice?

A: In the current state, this Excel file or 'EI Template' uses Tax Codes to derive tax rates once uploaded into MS Invoice. With the invoicing changes, you will populate new fields on the existing EI Template, which will allow Microsoft to process the payments. When uploading the EI Template, please complete the three new required fields:

1. Input the **Ship-from address** at the line item level
2. Input the **Ship-to address** at the line item level
3. Input the **Purchase Classification** at the line item level

Q: Do I still need to send a tax code on my EI template?

A: The tax code field is no longer required. The field may be left blank or populated.

Q: Where does the Ship-from address come from?

A: This address is the location from where you ship the goods. If billing for a services line item, the Ship from address may be the location of your home office or billing address. Whether billing for goods or services, you will enter this information at the line item level.

Q: How do I know which Purchase Classification to select?

A: For PO based invoices, the purchase classification code will default from the PO at the line item level. For Non-PO based invoices, you will enter this in a free form text field.

Microsoft will post the Purchase Classification list within [MS Invoice](#), as well as further selection instructions. This will allow you to properly identify the Purchase Classification item when processing invoices. A list of available General PO Purchase Classification Codes can also be found [here](#).

Q: What checks are in place when submitting the EI Template?

A: If you submit an EI Template with incorrect information (i.e. incorrect address spelling), the EI Template will be rejected.

Q: What if the EI Template gets rejected?

A: If an EI Template is rejected, this means the Ship-to, Ship-from, Purchase Classification, and/or value was not properly populated in the EI Template. You will need to review the entries and ensure those fields are fully and correctly populated before you resubmit.

Q: How do I input a credit memo?

A: Input "C" into the "Line Item Type" field. You can also provide original invoice number and line item number, but this information is not required.

Invoice Process #2 – UI Portal via MS Invoice

Q: What do I do if I submit invoices to the UI Portal via MS Invoice?

A: In the current state, the UI Portal requires you to enter specific fields in order to submit your invoice. With the invoicing changes, you will validate new fields in the UI Portal, which will allow Microsoft to the process the payments. When submitting invoices to the UI Portal, please complete the three new required fields:

1. Validate/update the **Ship-from address** at the line item level
2. Validate/update the **Ship-to address** at the line item level
3. Validate/update the **Purchase Classification** at the line item level

Q: Where does the Ship-from address come from?

A: This address is the location from where you ship the goods. If billing for a services line item, the Ship from address may be the location of your home office or billing address. Whether billing for goods or services, you will enter this information at the line item level.

Q: Where does the Purchase Classification come from?

A: For PO based invoices, the purchase classification code will default from the PO at the line item level. For Non-PO based invoices, you will select this information from a list of Purchase Classification codes available after selecting the appropriate Purchase Category. This information will be available within [MS Invoice](#).

Q: Can I submit a different Purchase Classification than what's listed on the PO?

A: Yes, you may submit a different Purchase Classification on the invoice than what's listed on the PO. A drop down box will be available to choose a different Purchase Classification code than the one listed on the PO.

Q: Where can I see the full list of Purchase Classifications?

A: Microsoft will post the Purchase Classification list on [MS Invoice](#), as well as further selection instructions. This will allow you to properly identify the Purchase Classification item when processing invoices. A list of available General PO Purchase Classification Codes can also be found [here](#).

Q: Is there a search function within the Purchase Classification field?

A: Selecting the Category field in MS Invoice shrinks the list of available Purchase Classifications, however there is no search functionality from a free-text perspective.

Q: If I change the Purchase Classification or Ship To information in MS Invoice will the information also be updated on my PO?

A: No, similar to what happens today if there are discrepancies in the populated information, Microsoft will divorce the relationship between the PO and invoice to account the changes in the populated fields.

Q: How should I account for shipping and handling on my invoice for the new fields (Purchase Classification, Ship To and Ship From)?

A: For Shipping & Handling / Freight, suppliers should select the Cargo, Parcel, and Postal Shipping category and one of the following purchase classification codes for the goods being shipped.

85161505 – Shipping Taxable

95131605 – Shipping Non Taxable

The Ship To address should reflect the same information used for the invoice line item.

Invoice Process #3 - Hard Copy Submission

Q: What do I do if I submit invoices via mail-in physical or emailed invoices?

A: You will continue to submit invoices as you normally do, with the addition of the three required fields below:

1. **Ship-from address** at the line item level
2. **Ship-to address** at the line item level
3. **Purchase Classification** at the line item level

Q: Where does the Ship-from address come from?

A: This address is the location from where you ship the goods. If billing for a services line item, the Ship from address may be the location of your home office or billing address. Whether billing for goods or services, you will enter this information at the line item level.

Q: Where does the Purchase Classification come from?

A: For PO based invoices, the purchase classification code will default from the PO at the line item level. For Non-PO based invoices, you will enter this in a free form text field.

Q: Can I submit a different Purchase Classification than what's listed on the PO?

A: Yes, you may submit a different Purchase Classification on the invoice than what's listed on the PO. Microsoft will provide a list of all the acceptable Purchase Classification codes.

Q: Where can I see the full list of Purchase Classifications?

A: A list of available General PO Purchase Classification Codes can be found [here](#).

Q: Do I still need to include a tax code on the submitted invoice?

A: The tax code field is no longer required. The field may be left blank or populated.

Q: Where on my invoice must I include this information?

A: Information needs to be provided at the line item level. The location of the ship to, ship-from and Purchase Classification information can be listed anywhere on your invoice as long as it is identifiable and indicates which line it references.

Q: How do I process a VAT related credit note? (This only applies to UK)

A: As part of the credit change process, you will be required to provide a credit note with your hard copy invoice.

Other Important Scenarios

Q: What happens if I have a blend of goods and services (i.e. marketing materials and marketing services)?

A: You will separately itemize the two charges on the invoice. The appropriate ship to, ship from, and purchase classification code needs to be selected for each line item.

Q: Are the invoicing changes also applicable to POs which were opened before the invoicing changes go-live on August 11th?

A: Yes, all existing PO's as of the August 11th go-live date will be subject to the new invoicing requirements, i.e. the three new fields (Purchase Classification, Ship From, and Ship To) will be required.

Q: What if I submit my invoices using TyMetrix 360?

A: Your process will continue as it does today. You will not need to provide the new fields.

Note:

* MS Italy and MS Portugal suppliers/payees will remain as Hard Copy invoice submitters