

# COST IMPLICATIONS: ON-PREMISES AND THE CLOUD

When it comes to managing IT infrastructure, businesses face a critical decision: whether to allocate their expenses as Capital Expenditure (CapEx) or Operational Expenditure (OpEx). This choice is particularly significant when comparing on-prem solutions to cloud-based services. Understanding the cost implications of CapEx and OpEx in these environments is essential for informed decision-making.



## CapEx vs. OpEx: A Brief Overview

**CapEx** involves upfront investments in assets that provide long-term value to a business. These high value assets are typically tangible, such as buildings, fleet vehicles and servers. The costs associated with CapEx are incurred upfront and are considered investments that depreciate over time. Businesses capitalise these costs on their balance sheets, which can lead to tax benefits.

**OpEx** on the other hand, includes ongoing, day-to-day expenses that keep a business running smoothly. These expenses are typically associated with services such as , utilities, Staffing costs and server usage by the day. OpEx costs are recognised immediately and can be tax-deductible in the year they are incurred.