

Business Central: Cloud vs. On-Premises

Which One is Right for You?

Feature	Business Central Cloud	Business Central On-Premises
History	Launched as Dynamics 365 Business Central in 2018, following Dynamics NAV evolution.	Formerly Dynamics NAV, available as an on-premises ERP for decades.
Deployment	Fully cloud-based, hosted by Microsoft.	Installed on local servers or private cloud.
Infrastructure Costs	No hardware costs; Microsoft manages infrastructure.	Requires investment in servers, IT maintenance, and backup solutions.
Licensing	Subscription-based (monthly/yearly per user).	Subscription-based starting April 1, 2025 (no more perpetual licenses).
Customization & Extensions	Extensions via Microsoft AppSource; customization limited to AL language.	Full customization via AL and C/AL; modifications require direct database access.
Updates & Maintenance	<ul style="list-style-type: none"> • Major Updates: Now have a five-month update window instead of a fixed schedule, allowing more time for testing and planning. • Minor Updates: No longer mandatory—admins can opt out of monthly updates if needed. • Grace Periods: After the update window, businesses get one month before the update is enforced. Incompatible extensions will be removed to ensure a smooth transition. • Updates are automatically applied to ensure security and compliance with minimal downtime. • Microsoft handles all infrastructure, performance tuning, and security patches. • New AI-driven features (like Copilot) are cloud-exclusive, accelerating innovation for cloud users. 	<p>Updates are manual and require IT resources to install and test them.</p> <ul style="list-style-type: none"> • Businesses can delay updates indefinitely, but this increases the risk of security vulnerabilities and compatibility issues with newer extensions. • Infrastructure and security management are the customer's responsibility, meaning more effort is needed to maintain performance and compliance. • On-prem customers don't get cloud-exclusive features like AI automation (Copilot) and real-time analytics integration with Power Platform.
Security & Compliance	Microsoft manages security, compliance, and disaster recovery.	Requires in-house security management and compliance monitoring.
Performance & Scalability	Scales easily with Microsoft's cloud resources.	Performance depends on server capacity; scaling requires additional investment.
AI & Automation	Built-in AI capabilities, including Copilot for predictive analytics and process automation.	AI capabilities limited; requires additional configuration.
AppSource Compatibility	Direct integration with Microsoft AppSource , offering a wide range of add-ons.	No direct AppSource installation; apps must be installed manually via runtime packages.
Data Ownership	Data stored in Microsoft Azure; complies with global regulations.	Full data control; requires local backup and disaster recovery plans.
User Experience	Accessible via web browser, mobile app, and Microsoft Teams integration.	Requires VPN or RDP for remote access unless hosted in a private cloud.
Support & SLA	Microsoft provides global support with high availability SLAs.	Support handled by internal IT or Microsoft partners.
Future Roadmap	Microsoft is prioritizing cloud-first development with continued investment in AI, automation, and integration with Power Platform.	Limited future development; on-premises will receive updates but lacks cloud-first innovation.

Conclusion:

Business Central Cloud is the preferred choice for most businesses due to its **scalability, lower maintenance costs, and access to AI-driven features**. However, **on-premises remains a viable option** for companies needing **full data control, extensive customizations, or regulatory compliance requiring local hosting**.

With Microsoft shifting towards cloud-first strategies and **removing perpetual licenses for on-premises deployments after April 1, 2025**, businesses should evaluate **long-term ERP strategies carefully**.