



Service Levy Alert

Amendment of the service levy rate

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In brief

The Finance Act, 2025 introduced an amendment to the Local Government Finance Act by imposing a fixed rate of 0.25% as service levy rate (popularly known as “city service levy”) on a business’ net turnover. The change is applicable from 1 July 2025 and it replaces the 0.3% maximum rate previously applied.

Overview of service levy

The service levy is a tax imposed by local government authorities (LGA) on the net turnover of businesses operating within their jurisdiction. It is paid quarterly and is primarily intended to fund local services and infrastructure development.

Amendment introduced in the Finance Act, 2025

The introduced fixed rate of 0.25% establishes a uniform service levy rate replacing the previously discretionary framework that allowed local government authorities to set rates up to a maximum of 0.3%. This change removes the flexibility that enabled sector-specific arrangements, such as the banking industry’s application of a 0.2% rate which was permissible as

the rate did not exceed 0.3%. Such sector-specific or negotiated arrangements are no longer supported by law following the change made in the Finance Act 2025.

Compliance tips

- Ensure quarterly service levy payments are made to the LGA by the end of each quarter using the new rate.
- To avoid late payment penalties, calculate the levy for the first two months of the quarter using the actual turnover (e.g. in this quarter actual turnover for July and August 2025) while for the last month of the quarter (e.g. in the current case the month of September 2025) based on estimated turnover,
- Use net turnover excluding excise duty and Value Added Tax (VAT).
- Reconcile revenue reported in financial statements with revenue declared in service levy returns, and document any variances for audit purposes.
- Maintain complete records of calculations, returns, and proof of payments, and closely monitor payment timelines to avoid penalties such as fines and interest charges.



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