
FACT SHEET

Information on the Hong Kong Government Service (Levy on Salaries) Ordinances, 1936 and 1937

1. Levy Imposed in 1936

1.1 In anticipation of a deteriorating economy, the Government discussed several measures in Legislative Council sittings, including reducing civil service salaries and curtailing the expenses of Government, to improve the budgetary position.

1.2 A decision was made to impose a "levy" on civil service salaries, via enactment of the Hong Kong Government Service (Levy on Salaries) Ordinance.

1.3 The Bill was first read on 19 March 1936, passed in the Legislature on 22 April 1936, and gazetted on 24 April 1936 (See Appendix I for the details of the 1936 Ordinance.)

1.4 It was a temporary measure with retrospective effect from 1 January 1936 to 31 December 1936.

1.5 The levy did not apply to all civil servants but mainly to those whose salaries exceeded Sterling/HKD 240 per annum. The percentage of levy ranged from 2.5% to 12.5% for Sterling Pay Salary and 3% to 15% for Hong Kong Dollar Pay Salary, both on a progressive scale.

2. Levy Revised in 1937

2.1 The financial outlook in 1937 was still obscure, therefore, it was agreed that the levy on civil service salaries should continue for another six months (i.e. from January to June 1937) but with reduced percentages, i.e. from 2% to 10% for Sterling Pay Salary and 2% to 9% for Hong Kong Dollar Pay Salary.

2.2 An amendment of the Bill was first read on 30 December 1936 and passed on 6 January 1937.

2.3 The 1937 Ordinance added a new provision such that "*the Legislature may by resolution continue, reduce or abandon such sterling percentage deductions [and dollar percentage deductions] in respect of the months of July to December inclusive, or of any of them.*" (See Appendix II for the details of the 1937 Ordinance.)

3. Levy Abandoned in 1937

3.1 A resolution was moved and passed on 23 June 1937 to abandon the deductions for the period from July to December 1937 inclusive. (See Appendix III for the details of the resolution.)

Prepared by Ms Cherry CHEUNG
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Tel: 2869 9621

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Appendix I

THE HONG KONG GOVERNMENT GAZETTE, APRIL 24, 1936. 413

HONG KONG.

No. 17 of 1936.

I assent.

L.S.

A. CALDECOTT,
Governor.

24th April, 1936.

An Ordinance to make provision for a levy on the salaries of public officers in the Hong Kong Government Service.

[24th April, 1936.]

BE it enacted by the Governor of Hong Kong, with the advice and consent of the Legislative Council thereof, as follows:—

1. This Ordinance may be cited as the Hong Kong Government Service (Levy on Salaries) Ordinance, 1936. Short title.

2.—(1) Subject to the provisions of section 6 and with effect on and from the 1st January, 1936, and in order to reduce expenditure, there shall be a temporary levy, imposed by way of deduction at source, on the salaries of all public officers in the Hong Kong Government Service which are expressed in terms of sterling and which exceed £240 per annum. Levy on sterling salaries exceeding £240 per annum.

(2) On all such salaries there shall be deducted 2½% on the first £240, 5% on the next £360, 7½% on the next £400, 10% on the next £400 and 12½% on the remaining portion of the salary above £1,400 per annum: Provided always that the levy as distinct from the special rate of conversion mentioned in sub-section (4), shall not operate so as to reduce the annual salary of any such officer below £240.

(3) Widows' and Orphans' Pension Contributions of the said officers under the Widows' and Orphans' Pension Ordinance, 1908, and the Ordinances amending the same, shall be calculated on the full sterling salary and converted into dollars at the prevailing monthly Treasury rate. Ordinances Nos. 15 of 1908, 13 of 1928, 9 of 1929, and 2 of 1951.

(4) After deduction of the levy, if any, and of the Widows' and Orphans' Pension Contribution, if any, or of either, the remainder of the salaries of all public officers in the Hong Kong Government Service which are expressed in terms of sterling, whatever their amount, shall be converted at the rate of one shilling and sixpence to the dollar for the months of January, February and March, 1936, and for subsequent months at such rates as the Legislative Council shall by resolution from time to time direct.

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Levy on dollar salaries exceeding \$240 per annum.

3.—(1) Subject to the provisions of section 6 and with effect on and from the 1st January, 1936, and in order to reduce expenditure, there shall be a temporary levy, imposed by way of deduction at source, on the salaries of all public officers in the Hong Kong Government Service which are expressed in terms of dollars and which exceed \$240 per annum.

(2) On all such salaries there shall be deducted, in respect of the salaries payable in respect of the months of January to June, inclusive, 1936, 4% on the first \$1,000, 8% on the next \$1,500, 12% on the next \$2,500 and 15% on the remaining portion of the salary above \$5,000.

(3) In respect of the month of July, 1936, and of subsequent months, the percentages in sub-section (2) of this section shall be reduced to 3%, 6%, 10% and 12% respectively.

(4) The levy authorised by this section shall not operate so as to reduce the annual salary of any officer below \$240.

Levy to be applied to net salaries after deduction of Widows' and Orphans' Pension Contributions.

Ordinances Nos. 15 of 1908, 15 of 1920, 9 of 1929, and 2 of 1931.

This Ordinance to be in force for the year 1936 only unless otherwise provided by Ordinance.

Power of legislature to grant exemptions by resolution.

Saving of rights of the Crown. Cf. Colonial Regulations 20 and 21, and H.K. General Orders 1 and 2.

4. Every levy, whether in respect of a sterling salary or of a dollar salary, shall be applied to the net salary after the deduction of the contributions, if any, payable under the Widows' and Orphans' Pension Ordinance, 1908, and the Ordinances amending the same.

5. This Ordinance shall be deemed to have been in force as on and from the 1st January, 1936, and it shall continue in force until the 31st December, 1936, and no longer, unless otherwise provided by Ordinance.

6. It shall be lawful for the Legislative Council to exempt either wholly or partially from the operation of sections 2 and 3 of this Ordinance, or from any part thereof, any officer or any class or description of officer. Any such resolution, if so expressed, may be retrospective in operation.

7. Nothing in this Ordinance shall be deemed to recognise any rights whatsoever against the Crown or be deemed to imply that the holding of any appointment or the payment of salary constitutes a contract between the Crown and any of its servants or that any public office is held otherwise than during His Majesty's pleasure.

Passed the Legislative Council of Hong Kong this 22nd day of April, 1936.

D. M. MACDOUGALL,
Deputy Clerk of Councils.

Appendix II

THE HONG KONG GOVERNMENT GAZETTE, JANUARY 8, 1937. 11

HONG KONG.

No. 2 OF 1937.

I assent.

(L. S.)

A. CALDECOTT,
Governor.

8th January, 1937.

An Ordinance to make provision for a temporary percentage levy on the salaries of public officers in the Hong Kong Government Service and to provide for the exchange rate at which sterling salaries, when paid in the Colony, are to be converted.

[8th January, 1937.]

BE it enacted by the Governor of Hong Kong, with the advice and consent of the Legislative Council thereof as follows:—

1. This Ordinance may be cited as the Hong Kong Government Service (Levy on Salaries) Ordinance, 1937. Short title.

2.—(1) Subject to the provisions of section 6 and with effect on and from the 1st January, 1937, and in order to reduce expenditure, there shall be a temporary levy, imposed by way of deduction at source, on the salaries of all public officers of the Hong Kong Government Service which are expressed in terms of sterling and which exceed £240 per annum. Levy on Sterling salaries exceeding £240 per annum.

(2) On all such salaries, in respect of the months of January to June inclusive, 1937, there shall be deducted 2% on the first £240, 4% on the next £360, 6% on the next £400, 8% on the next £400, and 10% on the remaining portion of the salary above £1,400 per annum: Provided always that the levy as distinct from the special rate of conversion mentioned in sub-section (5) shall not operate so as to reduce the annual salary of any such officer below £240.

(3) On all such salaries, in respect of the months of July to December, inclusive, 1937, or of any of them, the Legislative Council by resolution may continue, reduce or abandon the percentage deductions specified in sub-section (2).

(4) Widows' and Orphans' Pension Contributions of the said officers under the Widows' and Orphans' Pension Ordinance, 1908, and the Ordinances amending the same, shall be calculated on the full sterling salary and converted into dollars at the prevailing monthly Treasury rate.

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THE HONG KONG GOVERNMENT GAZETTE, JANUARY 8, 1937.

(5) After deduction of the levy, if any, and of the Widows' and Orphans' Pension Contribution, if any, or of either, the remainder of the salaries of all public officers of the Hong Kong Government Service which are expressed in terms of sterling, whatever the amount, shall be converted, if paid in the Colony, at the prevailing monthly Treasury rate if such rate exceeds one shilling and three pence to the dollar; but if such rate does not exceed one shilling and three pence to the dollar then it shall be converted at the rate of one shilling and three pence to the dollar or sixteen dollars to the pound sterling: Provided that the salaries of officers absent from the Colony on leave for a period exceeding three months or absent from the Colony on duty for any period shall, if paid in the Colony, be paid at the prevailing monthly Treasury rate.

Levy on dollar salaries exceeding \$240 per annum.

3.—(1) Subject to the provisions of section 6 and with effect on and from the 1st January, 1937, and in order to reduce expenditure there shall be a temporary levy, imposed by way of deduction at source, on the salaries of all public officers in the Hong Kong Government Service which are expressed in terms of dollars and which exceed \$240 per annum.

(2) On all such salaries, in respect of the months of January to June inclusive, there shall be deducted 2% on the first \$1,000, 4% on the next \$1,500, 7% on the next \$2,500, and 9% on the remaining portion of the salary above \$5,000 per annum: Provided always that the levy shall not operate so as to reduce the annual salary of any such officer below \$240.

(3) On all such salaries, in respect of the months of July to December, inclusive, 1937, the Legislative Council by resolution may continue, reduce or abandon the percentage deductions specified in sub-section (2).

Levy to be applied to net salaries after deduction of Widows' and Orphans' Pension Contributions.

4. Every levy, whether in respect of a sterling salary or of a dollar salary, shall be applied to the net salary after the deduction of the contributions, if any, payable under the Widows' and Orphans' Pension Ordinance, 1908, and the Ordinances amending the same.

This Ordinance to apply to salaries for the year 1937 only unless otherwise provided by Ordinance.

5. This Ordinance shall be deemed to have been in force as and from the 1st January, 1937, and it shall continue in force until the 31st December, 1937, and no longer, unless otherwise provided by Ordinance.

Power of legislature to grant exemptions by resolution, and special exemptions.

6.—(1) It shall be lawful for the Legislative Council to exempt either wholly or partially from the operation of sections 2 and 3 of this Ordinance, or any part thereof, any officer or any class or description of officer. Any such resolution, if so expressed, may be retrospective in operation.

(2) The salaries of all public officers in the Hong Kong Government Service who are employed on the construction of the Dam and Reservoir Works at Shing Mun, with the

Appendix II (cont'd)

THE HONG KONG GOVERNMENT GAZETTE, JANUARY 8, 1937.

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exception of those officers who but for the said Works would be employed in some other work in the Hong Kong Government Service, shall be wholly exempted from the operation of sections 2 and 3.

(3) The salary of the Temporary Gymnastic Instructor shall be wholly exempted from the operation of sections 2 and 3 with respect to the present holder of the office.

7. Nothing in this Ordinance shall be deemed to recognise any rights whatsoever against the Crown or be deemed to imply that the holding of any appointment or the payment of salary constitutes a contract between the Crown and any of its servants or that any public office is held otherwise than during His Majesty's pleasure.

Saving of rights of Crown. *c.f.* Colonial Regulations 20 and 21 and H.K. General Orders 1 and 2.

8. The Hong Kong Government Service (Levy on Salaries) Ordinance, 1936, is repealed.

Repeal of Ordinance No. 17 of 1936.

Passed the Legislative Council of Hong Kong, this 6th day of January, 1937.

T. MEGARRY,
Deputy Clerk of Councils.

Appendix III

MOTIONS.

THE COLONIAL TREASURER.—Your Excellency,—The Levy on Salaries Ordinance, No. 2 of 1937, provides that in respect of the months of July to December inclusive, 1937, or of any of them, this Council may by resolution continue, reduce or abandon the percentage deductions specified in the Ordinance which have been in force since 1st January this year.

As Honourable Members are aware the levy on salaries of all Government officers was originally imposed on 1st January, 1936. The reasons for it and the savings effected by it last year are fully set out in paragraph 22 of the Report on the Finances for the Colony for the year 1936 which is now in your hands.

At the time of framing the Estimates for 1937 the financial outlook was still obscure and it was found necessary to budget for a deficit of nearly 3½ million dollars. It was, therefore, decided with great reluctance, which was shared by the Secretary of State, that the levy should be continued at least for another six months, but in a slightly modified form, estimated to produce a saving of about \$450,000 per annum.

The financial position has considerably improved. At the end of the 24th week, that is nearly half way through the year, revenue has exceeded the proportionate fraction of the year's estimate by \$1,232,870, and is \$1,334,996 more than the revenue collected in the same period last year. Revenue is higher than it has been since the year 1933 and I see no reason to expect that this higher level will not be maintained. Even if the total Expenditure is not less than the Estimate, and it frequently is, I do not expect that a serious deficit will emerge at the end of this year or that our balance of assets over liabilities will be greatly reduced.

The modified levy is now, as I have indicated, a comparatively unimportant factor in the Colony's expenditure and its continuance is felt to be a hindrance to the recruitment of new officers and a bad advertisement of the Colony's financial standing.

Further so long as the levy continues it is not easy to justify any policy of expansion in public works, and such expansion is becoming urgently necessary.

It is not proposed to alter at present the special conversion rate for sterling salaries of \$16=£1 as provided in section 2(5) of the Ordinance which represents a saving at the present exchange rate of the dollar of about \$60,000 a year.

I now move the following resolution:—

Resolved pursuant to sections 2 (3) and 3 (3) of the Hong Kong Government Service (Levy on Salaries) Ordinance, 1937, that the percentage deductions specified in sections 2 (2) and 3 (2) of the said Ordinance be abandoned in respect of the months of July to December, inclusive, 1937.

THE COLONIAL SECRETARY seconded, and the motion was agreed to.