

Prohibition of tax-free payments to directors

156. (1) It shall not be lawful for a company to pay a director of the company remuneration (whether as director or otherwise)—

(a) free of income tax or the universal social charge, or

(b) otherwise calculated by reference to or varying with the amount of his or her income tax or to or with the rate of income tax,

except under a contract which was in force on 31 March 1962 and provides expressly and not by reference to the constitution for payment of remuneration in that manner.

(2) Any provision contained in—

(a) a company's constitution;

(b) any contract other than such a contract as is mentioned in subsection (1); or

(c) any resolution of a company or a company's directors,

for payment to a director of remuneration in the manner referred to in subsection (1) shall have effect as if it provided for payment, as a gross sum subject to income tax and the universal social charge, of the net sum for which it actually provides.