

Extension granted for the implementation of the subcontracting Reform

Over the last few days two bills were presented to extend deadlines in order to facilitate complying with the new obligations in labor, social security and tax matters with respect to the subcontracting reform published in the Federal Official Gazette (DOF) on April 23, 2021 (Reform).

This draft reform is the result of the express request of multiple companies and business associations to have more time to conclude the procedures to regularize their work forces, and to register their specialized services and works, among other matters with respect to the restructuring that practically all the companies must undergo. In this respect, on Friday, July 30, in a period of extraordinary sessions, the Congress of the Union approved one of the bills that extends the deadlines established in the transitory articles of the Reform, which was published on July 31, in the Federal Official Gazette.

In this regard, the terms were extended until September 1, 2021, in the following terms:

1. The tax modifications established in the Reform are extended until September 1, 2021. This implies that the payments made for subcontracting personnel and for specialized services or execution of specialized works of companies that have not yet registered before the Ministry of Labor and Social Welfare in the Specialized Services and Works Registry (REPSE), may continue being deductible (for purposes of the Income Tax) and creditable (for purposes of the Value Added Tax). Taxpayers must continue withholding 6% of the consideration actually paid in accordance with article 1.-A.- of the Value Added Tax Act to be able to make such deduction.
2. The individuals or entities that provide specialized services or execute specialized works and that for this purpose provide or make available personnel in benefit of another will have until September 1, 2021 to be registered before the REPSE.
3. Regarding employer substitution, the transfer of the assets of the company or establishment to the substitute employer for purposes of the employer substitution will not be necessary until September 1, 2021.
4. The employers who, prior to the entrance into force of this Decree, would have requested from the Mexican Social Security Institute the assignment of one or more employer registrations by class to register their workers nationally, will have until September 1, 2021, to remove them and to request that the Institute grant them a new employer registration.
5. The individuals and entities that provide specialized services or execute specialized works will have until September 1, 2021, to present before the Mexican Social Security Institute the information relative to the contracts executed in the quarter in question, obligations contained in article 15 A, sections I, II and III of the Social Security Act.
6. From the entrance into force of the Reform and until September 1, 2021, the migration of workers from the companies that operated under the labor subcontracting regime will be considered an employer substitution (for purposes of the Social Security Act), provided the company the workers are moving to recognizes their labor rights before the corresponding legal instances.

For more information on the Reform, you may consult [this link](#). The publication in the DOF is found [here](#).

We would be glad to answer any questions you may have regarding this Reform which brings relevant changes to the labor market in Mexico and to help you in the implementation of action plans to comply with it.

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