

December 11, 2020

Labor, Social Security and Immigration Practice and Tax Practice Group Joint Newsletter



Update on the subcontracting reform initiative

On December 9, 2020, the federal government, the majority of trade associations, and the unions issued a press conference in which they agreed to the following:

- » Solve the abuse in personnel subcontracting services. All employers must immediately start the process of regularizing their workforce, according to the bill.
- » Profit sharing has been not been sufficiently addressed, nor socially debated. A period is necessary to determine a mechanism for profit sharing that would be fair and equitable, and avoid discretionary payment.
- » Request the Congress to postpone the legislative discussion to the next ordinary session, which starts in February 2021.
- » The bill will be considered preferential, which, as opposed to a regular bill, has to be discussed and approved within 30 days.
- » Payroll processing companies are banned from performing irregular activities, such as the massive termination of employees in December 2020.

The Mexican Social Security Institute and the Tax Administration Service will initiate criminal actions against these acts.

- » No other changes to the current bill were announced.
- » The reform in subcontracting matters would come into force the day after the bill is approved and published in the Official Gazette of the Federation as for labor matters and social security, but there is no clear indication as to when the tax obligations come into effect.

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