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Labor, Social Security and Tax Practice Group Joint Newsletter



Update on the recent labor subcontracting reform

On July 31, 2021, the Decree amending various transitory provisions related to the subcontracting amendment released on April 23, 2021, was published in the Official Journal of the Federation ("DOF").

Such Decree establishes a delay of the entry into force of several provisions until September 1, 2021, related to compliance with several tax, labor and social security obligations for labor subcontracting.

The Decree delayed the entry into force of the following obligations:

1. Registration of individuals or companies that provide specialized services before the Public Registry of Companies that Provide Services and Specialized Works ("REPSE") with the Ministry of Labor and Social Welfare ("STPS").

2. Companies operating under a subcontracting regime will be able to transfer their employees via employer substitution without the obligation to transfer assets when transferring employees via employer substitution.

3. For those employers who have requested the Mexican Social Security Institute ("IMSS") to assign one or more registrations by class, these will be cancelled and the employers must request a new registration. Those multiclass registrations previously in force will be cancelled.

4. Providers of specialized services or works must inform the IMSS every four months of the contracts entered into, as well as information on their personnel.

5. The tax provisions that prohibit the deduction and credit of both income tax ("ISR") and value-added tax ("VAT") for payments associated with contracts that have as their object the subcontracting of personnel.

Therefore, individuals and companies may comply with these obligations until September 1, 2021, without incurring fines or penalties, since the original deadline of August 1, 2021, to comply with labor and tax obligations in terms of subcontracting is considered extended.

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