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Labor, Social Security and Tax Practice Group Joint Newsletter



Ministry of Labor and Social Security initiates REPSE inspections and thus cancellation of registrations.

On October 11, 2021, the Ministry of Labor and Social Security (per its acronym in Spanish, "STPS"), through Bulletin 105/2021 "Inicia la fase de inspección de cumplimiento del Registro de Prestadoras de Servicios Especializados y Obras Especializadas ("REPSE") (the "Bulletin"), formally initiated inspections to verify REPSE registration. This is a result of the entry into force of the subcontracting amendment, which entered on April 23, 2021.

This Bulletin establishes that there will be no mass inspections, but only strategic inspections, focusing on those registrations that at the time presented irregularities while making the registration request, as well as for the complaints made before the STPS. Similarly, it will be verified that the information stated by the service providers is consistent and truthful.

Alejandro Salfranca, head of the Unidad de Trabajo Digno of STPS, has pointed out that at the beginning of September, the date on which the registration in the REPSE concluded, seventy-one thousand companies have concluded their registration process, of which only a small number of applicants have been denied.

Notwithstanding the foregoing, numerous cases have begun to arise in which the STPS has chosen to cancel the REPSE registrations of specialized service providers as a result of the verification visits that the authority has begun to carry out, in line with what is indicated in the Bulletin.

Therefore, it is imperative to emphasize that not having the REPSE registry can trigger labor contingencies which can be a fine of 2,000 to 50,000 times the of Measure Unit and Update ("UMA") (currently from \$179,240.00 M.N. to \$4,481,000.00 M.N.). The same penalty shall apply to the provider of specialized services or who executes specialized works, without registration with the REPSE, or also for whoever receives the services.

The foregoing, without considering the repercussions from the fiscal perspective, such as the non-deductibility and accreditation of the payments generated for the purposes of Income Tax ("ISR") and Value Added Tax ("VAT").

Our team specialized in tax and labor matters, have extensive experience supporting clients involved in this type of inspections and related matters, in terms of

attention to inspections and interposition of corresponding means of defense. We are at your service to assist you in relation to the strategies and legal alternatives that best protect your business interests.

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