

April 7, 2021

EY LAW Flash

Bill on labor subcontracting



As a follow-up to the bill on subcontracting matters, on April 5, 2021, a meeting was held between the President of Mexico, members of his cabinet and representatives of the labor and business sectors, whereby an agreement was reached on issues such as profit sharing, specialized services and entry into force, among others.

The main agreements reached were:

- ▶ The prohibition of subcontracting personnel. Personnel subcontracting is considered to be the service consisting of an individual or legal entity providing or making available its own workers for the benefit of another.
- ▶ The regulation of the subcontracting of specialized services and works other than the corporate purpose and the **main** economic activity of the contracting party. Note: The word **main** was added, which may allow companies to contract shared services.
- ▶ Registration with the Ministry of Labor and Social Welfare (STPS, for its acronym in Spanish), and registration in the public registry of subcontracting companies for specialized services and works.
- ▶ If the specialized service provider fails to comply its obligations with its workers, the beneficiary of the service shall be jointly and severally liable.
- ▶ Granting of a three-month period for subcontracted workers to become part of the *real employer's* payroll.
- ▶ Formulation of two modalities for the quantification of employee profit sharing. The agreement does not specify which would be the referred modalities.

The agreements shall be added to the aforementioned bill or included in a new bill. In either case, the bill must still go through the legislative process in the Congress of the Union, where it could undergo changes before being approved.

If approved as described above, it would have a substantial impact on companies that receive or provide services for which personnel are made available, regardless of whether the service is provided or received by a related party or a third party. Based on the foregoing, we consider relevant to carry out a detailed multidisciplinary analysis of the possible effects that the referred bill could have on the operations of the companies.

For more information on the bill filed in November 2020, please consult the following link [Bill on Subcontracting Matters \(ey.com\)](https://ey.com).

For further information about this bulletin, please contact any of the following professionals:

Óscar Ortiz
oscar.ortiz@mx.ey.com

Juan Carlos Curiel
juan.curriel@mx.ey.com

Jacqueline Álvarez
jacqueline.alvarez@mx.ey.com

Mario Ríos
mario.rios@mx.ey.com

Alejandro Caro
alejandroc.ro@mx.ey.com

Juan Pablo Lemmen - Meyer
jpablo.lemmen@mx.ey.com

Yeshua Gómez
yeshua.gomez2@mx.ey.com

EY

Assurance | Tax | Transactions | Advisory

About EY's Tax Services

Your business will only succeed if you build it on a strong foundation and grow it in a sustainable way. At EY, we believe that managing your tax obligations responsibly and proactively can make a critical difference. Our global teams of talented people bring you technical knowledge, business experience and consistency, all built on our unwavering commitment to quality service – wherever you are and whatever tax services you need.

We create highly networked teams that can advise on planning, compliance and reporting and help you maintain constructive tax authority relationships – wherever you operate. Our technical networks across the globe can work with you to reduce inefficiencies, mitigate risk and improve opportunity. Our 45,000 tax professionals, in more than 150 countries, are committed to giving you the quality, consistency and customization you need to support your tax function.

For more information about our organization, please visit www.ey.com/mx

© 2021 Mancera, S.C. EYGM Limited All Rights Reserved ©

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

This bulletin has been prepared by the professionals of EY and contains general comments on the application of various accounting, tax and financial standards, as applicable. Since the contents of this bulletin are informative in nature and do not represent a specialized study of any specific situation, this bulletin must in no case be construed as being professional advice on any concrete case. At EY, we are committed to providing you with reliable and timely information; however, we cannot guarantee that the contents of this document will be valid at the time you receive or consult this document, or that they will continue to be valid in the future. Therefore, EY assumes no responsibility whatsoever for any errors or inaccuracies that may be contained in this document and the decision to use the information contained herein is entirely the recipients. All rights reserved (currently being processed).