

9 December 2020

Global Tax Alert

News from EY Americas Tax

Mexico postpones legislative action on outsourcing bill to 2021

EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access information about the tool and registration [here](#).

EY Americas Tax

EY Americas Tax brings together the experience and perspectives of over 10,000 tax professionals across the region to help clients address administrative, legislative and regulatory opportunities and challenges in the 33 countries that comprise the Americas region of the global EY organization. Access more information [here](#).

On 9 December 2020, Mexican President Andrés Manuel López Obrador announced to the public an agreement among the Mexican Government, the business sector and labor sector to postpone until February 2021 further discussion and legislative action on the outsourcing bill proposed on 12 November 2020. Although the Government has announced this agreement, it is not clear that all private sector (labor and business) organizations agree. The proposed outsourcing bill would prohibit individuals and entities from outsourcing services. For more information on the bill, see EY Global Tax Alert, [Mexico introduces bill to amend labor and tax laws to prohibit outsourcing](#), dated 16 November 2020.

Under the agreement, the parties have committed to address the current abuses that exist with outsourcing of personnel. The agreement acknowledges that the disallowance of outsourcing arrangements gives rise to concerns around profit-sharing and that more time is needed to properly address these concerns. Specifically, the parties acknowledge that time is needed to make sure the system for profit-sharing is just, equitable and avoids discretion in payment (i.e., profit-sharing is based on the law).

The agreement also establishes that the Mexican Social Security Institute and Mexican Tax Administration will examine personnel service companies; if any irregularities or possible crimes are detected, they will proceed administratively or criminally.

Although the legislative action on the bill is suspended until February 2021, there is no indication at this time that the bill will not be enacted. As such, businesses should continue evaluating how their operations would be affected by the bill. As stated in a previous Tax Alert, restructuring may be required for taxpayers to comply with the new rules. It's unclear when the bill could enter into force once the discussions are held next February.

For additional information with respect to this Alert, please contact the following:

Ernst & Young LLP (United States), Latin American Business Center, New York

- ▶ Ana Mingramm ana.mingramm@ey.com
- ▶ Enrique Perez Grovas enrique.perezgrovas@ey.com
- ▶ Jose Manuel Ramirez jose.manuel.ramirez@ey.com

Ernst & Young LLP (United States), Latin American Business Center, Miami

- ▶ Terri Grosselin terri.grosselin@ey.com

Ernst & Young LLP (United States), Latin American Business Center, Chicago

- ▶ Alejandra Sanchez alejandra.sanchez@ey.com

Ernst & Young, LLP (United States), Latin America Business Center, San Diego

- ▶ Ernesto Ocampo ernesto.ocampo@ey.com

Ernst & Young LLP (United Kingdom), Latin American Business Center, London

- ▶ Lourdes Libreros lourdes.libreros@uk.ey.com

Ernst & Young Abogados, Latin America Business Center, Madrid

- ▶ Jaime Vargas jaime.vargas.c@es.ey.com

Ernst & Young Tax Co., Latin American Business Center, Japan & Asia Pacific

- ▶ Raul Moreno, *Tokyo* raul.moreno@jp.ey.com
- ▶ Luis Coronado, *Singapore* luis.coronado@sg.ey.com

About EY

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2020 EYGM Limited.
All Rights Reserved.

EYG no. 002479-20Gbl

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com