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EXTENSION FOR THE COMPLIANCE OF OBLIGATIONS DERIVED FROM THE SUBCONTRACTING REFORM

This past April 23rd, 2021, a Decree prohibiting personnel subcontracting and reforming several legal dispositions of the Federal Labor Law, Social Security Law, Tax Code, Income Tax Law, and Value Added Tax Law, among others (the "Decree"), was published in the Federal Official Gazette ("DOF").

Later, on May 24 of this year, an Official Statement was published in the DOF, establishing the applicable regulations for the registration of individuals or companies who provide specialized services or carry out specialized works, as per article 15 of the Federal Labor Law (the "Statement").

On that regard, this past Saturday, July 31st, 2021, a new Decree was published in the DOF, through which the Federal Government granted a one-month extension for the tax effects imposed by the reform to have effect, as well as to comply with certain obligations derived from the Decree and the Statement. As consequence of the abovementioned, the term was extended to September 1, 2021 with respect to the following:

- Ceasing of the tax effects of the payments or considerations issued for personnel subcontracting in violation of the reform;
- Sanction as aggravated tax fraud for subcontracting personnel in violation of the reform and using simulated schemes of provision of specialized services or execution of specialized works;
- Obligation of the contracting party to verify the compliance of contractors with respect to the applicable obligations;
- If applicable, registry before labor authorities ("REPSE"); and
- Obligation to transfer assets for labor substitutions to have effects.

However, it is important to keep in mind that the prohibition to subcontract personnel entered into force since April 24, 2021. Therefore, **even though the obligations and effects referred in the previous paragraph will be enforceable as of September 1, 2021, the prohibition to subcontract personnel is currently in force and legally binding**.

We remain at your disposal for any question, clarification or comment that may arise with respect to the abovementioned.

August 9, 2021.