



# Reform to prohibit Subcontracting

## Reform to prohibit subcontracting – How does it affect service providers?

After months of negotiations on April 23<sup>rd</sup> the decree to reform the outsourcing legislation has been published. The new regulation came into force on April 24<sup>th</sup> with exception of the changes for the tax law's which will be applied from August 1<sup>st</sup> onwards. While the outsourcing of staff is no longer allowed, it is still possible to offer and contract independent services and specialized outsourcing services if the corresponding requirements are met. There is still some uncertainty regarding the application of the reform as the tax office has not yet made a statement to clarify doubts nor have the requirements for the registration as a specialized service been made public.

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Please find below some information of how the reform might affect you as a service provider.

### **Specialized Outsourcing Services vs Independent Services**

<b>Specialized Outsourcing Services</b>	<b>Independent Services</b>
Contractor provides personnel to contracting party to realize activities.	Contractor provides a previously defined service.
The contracting party indicates when and how the services are realized.	Personnel is not under disposition of contracting party but receives instructions from contractor directly.
Services are realized within or outside of the installation of the company.	Services are realized within or outside of the installation of the company.
Contractor provides services different from corporate purpose or the main economic activity.	Contractor provides services different from corporate purpose or the main economic activity.

### **Requirements for Providers of Specialized Outsourcing Services**

The following requirements apply to companies which do provide specialized outsourcing services.

- Register as specialized Outsourcing service provider within 90 days of the publication of the reform.
- Prepare contracts with details about services provided and number of staff provided.
- Provide to contracting partner monthly:
  - Payroll Receipt of staff
  - Payment Receipt for Social Security Payments
  - Monthly income tax and VAT declaration.

For providers of independent services, no additional requirements need to be met. However, we do expect that mainly larger companies will tend to implement a “one size fits all policy” regarding the new regulation.

## Recommendations:

If you provide or receive specialized outsourcing services or suspect that your customers will request the register, we have the following recommendations:

- Review and if necessary, redefine corporate purpose and main economic activity of your company to assure that it is limited to your actual core activity.
- Review contracts elaborated with your clients and suppliers concerning the “disposition of personnel” as part of the provided services.

Please feel free to contact our legal department and our tax specialists if you need support with the beforementioned topic.

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### For more information Please contact us.

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