

19.1407 Limitations on subcontracting and nonmanufacturer rule.

(a) *Limitations on subcontracting.* To be awarded a contract or order under this subpart, the SDVOSB concern is required to—

(1) For services (except construction), spend at least 50 percent of the cost incurred for personnel on its own employees or the employees of other SDVOSBs;

(2) For supplies or products (other than a procurement from a nonmanufacturer of such supplies or products), spend at least 50 percent of the cost of manufacturing the supplies or products (not including the cost of materials) on itself or by other SDVOSBs;

(3) For general construction, spend at least 15 percent of the cost (not including the cost of materials) incurred for personnel on its own employees or the employees of other SDVOSBs; or

(4) For construction by special trade contractors, spend at least 25 percent of the cost (not including the cost of materials) incurred for personnel on its own employees or the employees of other SDVOSBs.

(b) *Compliance period.* An SDVOSB contractor is required to comply with the limitations on subcontracting—

(1) For a contract that has been set aside or awarded on a sole source basis to an SDVOSB concern, either by the end of the base term and then by the end of each subsequent option period or by the end of the performance period for each order issued under the contract, at the contracting officer's discretion; and

(2) For an order set aside for SDVOSB contractors as described in [8.405-5](#) and [16.505\(b\)\(2\)\(i\)\(F\)](#) or for an order issued directly to an SDVOSB contractor in accordance with [19.504\(c\)\(1\)\(ii\)](#), by the end of the performance period for the order.

(c) *Nonmanufacturer rule.* See [19.505\(c\)](#) for application of the nonmanufacturer rule, inclusive of waivers and exceptions to the nonmanufacturer rule.

Parent topic: [Subpart 19.14 - Service-Disabled Veteran-Owned Small Business Procurement Program](#)