

Japan Payroll, Labour Law & Compliance Workshop 2025

Voted Asia's Payroll Provider 2015-2025

Recognised as a **'Star Performer'** in Everest Group's Multi-Country Payroll (MCP) Solutions PEAK Matrix® Assessment 2025.



Content

1. Employment in Japan
2. Work Regulations in Japan
3. Japan Labour standards Act
4. Holidays and Annual Leaves in Japan
5. Lifecycle of employment in Japan
6. 2024 HR legislation updates

100% In-Country HR Services Across APAC & Middle East

Links International is strategically positioned to help you grow your business, with 15 offices in the region serving over 30+ locations across Asia Pacific & Middle East.

APAC:

- | | | |
|------------------|---------------|---------------|
| • Hong Kong | • Vietnam | • Bangladesh |
| • Mainland China | • Indonesia | • Pakistan |
| • Macau | • Philippines | • Japan |
| • Taiwan | • Cambodia | • South Korea |
| • Singapore | • Myanmar | • Australia |
| • Malaysia | • Brunei | • New Zealand |
| • Thailand | • India | • Sri Lanka |

Middle East:

- | | |
|-----------------|------------------|
| • Dubai | • Fujairah |
| • Abu Dhabi | • Ras Al Khaimah |
| • Sharjah | • Saudi Arabia |
| • Ajman | • Oman |
| • Umm Al-Quwain | • Turkey |

Visit linksinternational.com for more information!

Best in Class HR Experience

Key components of BEST-IN-CLASS Payroll and HR experience for employees



Recognized as **'Star Performer'** in Everest Group's Multi-Country Payroll and Employer of Record Solutions PEAK Matrix Assessment 2022-2023 and once again in 2025.

Voted **Best Payroll Services Partner & Best HR Outsourcing** for 11 consecutive years



Reaching New Heights with Ascentium

Links is now part of the Ascentium Group, enabling greater investment, expanded services, faster tech development, and enhanced HR experiences for clients.

About Ascentium:

Ascentium is a global leader in business services, backed by **over 2,800 dedicated professionals**. It offers a comprehensive range of corporate solutions, including corporate secretarial, accounting, tax, payroll, HR, and compliance services, all designed to help businesses achieve greater growth and success.

Key Benefits for Clients:

- **Expanded Locations:** Links will soon support additional regions, starting with India and the UAE in 2025, with more locations to follow.
- **Enhanced Technology:** Increased investment in platforms like Links One and Links Integration Hub will deliver advanced tools for clients and their employees.
- **Broader Service Offerings:** Clients can access new business services, including accounting, corporate secretarial, and tax services, through the Ascentium network.



Asia Pacific:

Singapore (Headquarter)
Australia
Hong Kong SAR
India
Indonesia
Japan
Macau SAR
Malaysia
Mainland China
Philippines
South Korea
Taiwan
Thailand
Vietnam

Europe, UK & Middle East:

Cyprus
United Kingdom
UAE

Americas:

Brazil
British Virgin Islands
Cayman Islands
United States

30,000+
Active clients

2,800
Professionals

37
Cities Served

15
Markets Covered

Service Offerings



HR Services

- Payroll + Workday, SAP, Oracle integration
- Employer of Record & Immigration
- Recruitment & Outplacement
- HR Outsourcing & Advisory



Accounting and Tax Services

- Accounting & Finance
- Tax Filing and Compliance
- Tax Advisory
- Government Incentive Plans



Cross Border / FDI Specialist Services

- Market Entry Advisory
- Industrial Park & Business Partners
- China's ODI & Registration in Circular 37
- UAE Free Zone and Mainland Trade License



Fund, Trust and Fiduciary Services

- Trust Services
- Fund Governance & Administration
- Trustee & Trust Administration



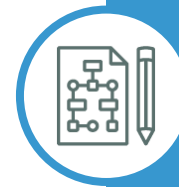
Corporate Services

- Incorporation & Business Formation
- Company Secretarial & Compliance (Private Co, ListCo, MNC, etc.)
- Director Services
- Trademark, Licenses, Copyright Registration



Risk Assurance & Audit

- Internal Audit
- Risk Assurance
- ESG (Environmental, Social and Governance)
- Compliance & Governance Solutions
- Audit



Advisory

- Financial Advisory
- M&A Advisory
- Insolvency / Liquidation



Private Client Services / Family Office

- Private Wealth
- Family Office
- Tax Planning
- Escrow, Custody and Administration of Project Funds



Our Speaker



Susumu Iwatsuki

Director - Japan

Susumu is responsible for managing the HR Outsourcing team in Japan as well as Business Development and Growth Strategy.

Susumu is an accomplished professional with 20+ years of expertise in Global HR and Business Process Outsourcing (BPO) across various industries for SMEs and MNCs.

Employment in Japan





Legal Requirements for Employing in Japan

1. Establish a Legal Entity
 - Common forms: KK (Kabushiki Kaisha), GK (Godo Kaisha), or Branch
 - Prepare the corporate registry
2. Initial Tax Registration
 - File with national and local tax offices
3. Open a Japanese Bank Account
 - Required for paying taxes, social insurance premiums, and labour insurance premiums
4. Recruiting Activity
 - Job postings, candidate sourcing, interviews, and selection process
5. Enroll in Social Insurance
 - Mandatory statutory benefit for companies

Overview of Employment Categories

Employment Type	Description	Benefits	Typical Schedule
Permanent Employees (Seishain)	Full-time, long-term employment	Full statutory benefits	5-day workweek
Contract Employees (Keiyaku Shain)	Fixed-term contracts	Partial benefits	Project-based
Part-Time & Temporary Workers	Hourly employment	Limited benefits	Flexible schedules

Work Regulations in Japan



Employment Law in Japan



Labour Law Standard Act.

- Legal foundation for working conditions
- Sets minimum standards (e.g. wages, hours)
- Binding, enforced by law



Rules of Employment

- Company-wide work rules
- Must describe mandatory items
- Must comply with law



Employment Contract

- Agreement with individual employees
- Specific terms of employment
- Must meet or exceed legal standards

Labour Standards Act

Purpose & Scope

- Enacted in 1947, establishing the minimum national standards for working conditions to ensure fair working conditions.
- Applies to all workers in Japan (except national public servants)

Key Provisions

Working Hours	• Maximum: 8 hours/day, 40 hours/week
Breaks & Rest Days	• ≥ 45 min for shifts > 6 hrs.; ≥ 1 hr. for > 8 hrs. • At least 1 rest day/week or 4 rest days in 4 weeks
Overtime & “36 Agreement”	• Overtime only with Article 36 agreement • Caps: 45 hrs./month, 360 hrs./year
Wages & Payment	• Must be paid in full, at least monthly • Minimum wage applies
Equal Treatment	• No discrimination based on nationality, creed, gender, or social status
Prohibition of Forced labour	• Strict ban; severe penalties for violations
labour Contract Validity	• Any contract terms below statutory minimums are invalid

Rules of Employment

- Definition:** A set of company-wide work rules that outline employment conditions for all employees.
- Legal Requirement:** Mandatory for companies with 10 or more employees under the Labour Standards Act.
- Purpose:** Ensures transparency, consistency, and compliance with labour laws; helps prevent disputes.
- Mandatory Content:** Working hours, breaks, holidays, wages, pay methods, retirement/dismissal conditions.
- Filing:** Must be submitted to the labour Standards Inspection Office and disclosed to employees.

Employment Contract

Definition: A legal agreement between employer and employee specifying individual working conditions.

Legal Requirement: Employers must clearly state key employment terms in

Mandatory Content:

- Employee details and start date
- Job description and workplace
- Working hours, breaks, holidays
- Wages (amount, calculation, payment date)
- Termination and dismissal conditions

Relationship to Other Rules:

Must comply with Labour Standards Act minimum standards
If conflicting with Rules of Employment, the more favorable condition for the employee applies

Labour Standards Act in Japan



Working Hours and Break Time

Working Hours (Article 32)

- 8 hours per day
- 40 hours per week

Break Time requires (Article 34)

- At least 45 minutes after working continuously for 6 hours per day
- At least 1 hour if working for more than 8 hours per day

Rest Days

- At least 1 day off per week, or 4 days off in any 4-week period

Article 36 Agreement: Article 36 Agreement: A written agreement filed with the labour Standards Office that allows overtime and holiday work beyond statutory limits under defined conditions.



Wages

Minimum Wage

- Regional minimum wage increased in October 2025 in all 47 prefectures in Japan:
 - Highest: Tokyo at ¥1,226 per hour, and Kanagawa: ¥1,225
 - Lowest: Kochi, Miyazaki, and Okinawa at ¥1,023 per hour.
- Largest Increase Since 2002:
- Industry-specific minimum wage may also apply.

Five Principles of Wage Payment

1. Payment in Currency
2. Direct Payment to Employee
3. Full Payment
4. Payment at Least Once a Month
5. Payment on a Fixed Date



Overtime Pay (Allowance)

Increased Wages for Overtime Work, Work on Days Off and Night Work (Article 37)

In case an employer requires a worker to work overtime, at night (10:00 p.m. to 5:00 a.m.) or on a statutory day off, the employer must pay the worker an increased wage in accordance with the following increase rate:

Different type of overtime pay	
Overtime Work	+ 25% (at least)
Night Work	+ 25% (at least)
On a statutory day off	+ 35% (at least)
Overtime exceeding 60 hours per month	+ 50% (at least)

Due to a revision of the Labour Standards Act, the rate of increased wages for work exceeding 60 hours of OT per month is 50% (1 April 2023).

Termination

Understanding Employee Rights and Employer Obligations

Employment Considerations:

- Employment is not at-will.
- Most terminations are negotiated voluntary resignations.
- Termination for cause or economic reasons is rare and requires strong documentation.

Notice Period:

- Employers must give 30 days' notice before dismissal.
- Alternatively, pay 30 days' wages in lieu of notice.

Grounds for Termination (limited and must be well documented):

- Inability to work
- Breach of duties, orders, or workplace discipline
- Loss of job responsibilities
- Economic reasons (rare, needs strong justification)

Q&A

Quick Quiz

Under the 2025 labour law updates, employment is guaranteed until what age?

- A. 60
- B. 65
- C. 70
- D. 75

Holidays and Leave Entitlement in Japan



Public Holiday in Japan

National holidays designated by law under the Public Holiday Act.

Key Points;

- 16 national holidays under the Public Holiday Act.
- No legal requirement for paid leave on holidays (most companies provide it).
- Work on a holiday = 135% premium pay (Labour Standards Act).
- Common non-statutory holidays:
 - Year-End/New Year: Dec 29–Jan 3 (includes Jan 1).
 - Obon: Mid-August (traditional, not mandated).

Public Holiday in Japan - 2026

Holiday	Date
New Year's Day	1 January
Coming of Age Day	12 January (Second Monday in January)
National Foundation Day	11 February
The Emperor's Birthday	23 February
Vernal Equinox Day	20 March
Shōwa Day	29 April
Constitution Memorial Day	3 May (Observed on 6 May)
Greenery Day	4 May
Children's Day	5 May
Marine Day	20 July (Third Monday in July)
Mountain Day	11 August
Respect for the Aged Day	21 September (Third Monday in September)
Extra Holiday for Silver Week	22 September
Autumnal Equinox Day	23 September
Sports Day	12 October (Second Monday in October)
Culture Day	3 November
Labour Thanksgiving Day	23 November



Annual Paid Leave (Full-time Employee)

☑ Key Points;

- Eligibility: Worked at least 80% of scheduled hours.
- Carry-over: Unused leave valid for 2 years (1-year carry-over).

Year of Service	0.5 (6 months)	1.5	2.5	3.5	4.5	5.5	6.5 or more
Annual Leave	10 days	11 days	12 days	14 days	16 days	18 days	20 days

All full-time employees* are entitled to a minimum of 10 days' statutory annual paid leave per year. As an employee spends more time in the company, they are entitled to more vacation days each year.

Other Leave Entitlements and Relevant Leaves

☑ **Key Points;**

- Maternity Leave: 6 weeks before childbirth, 8 weeks after (**Statutory**)
- Paternity Leave: Around childbirth, depends on company policy (**Statutory**)
- Childcare Leave: Up to 1 year, extendable to 2 years (**Statutory**)
- Family Care Leave: For caring for a family member with serious condition (**Statutory**)
- Special Leave: Marriage, bereavement, etc., provided by employer (**Non-statutory**)
- Sick Leave: No statutory requirement; usually covered by annual paid leave or company policy (**Non-statutory**)

Q&A

Lifecycle of Employment in Japan



Social Security in Japan

Social insurance

- Health Insurance: Covers 70% of medical expenses; contribution average 10% of wages split equally between employer and employee.
- Nursing Care Insurance: Additional coverage for individuals over 40 years old.
- Pension Insurance: Provides retirement, disability, and survivor benefits; premiums shared between employer and employee.
- Enrollment: Mandatory for companies; premiums reviewed annually (Santei) and adjusted if salary changes significantly (Geppen).

Insurance Type	Contribution Rate	Employer/Employee Split
Health Insurance	9.35% - 10.42%	50/50
Nursing Care Insurance	1.6%	50/50
Pension Insurance	18.3%	50/50

Social Security in Japan

Labour Insurance

Employment Insurance

- Provides unemployment benefits, training allowances, and other support measures such as finding suitable employment.
- Eligible for individuals working over 20 hours in week and expected to work over 31 days or more
- Contributions are made by both the employer and the employee.

Workers' Accident Compensation Insurance (Only employer contribution)

- Covers work-related injuries and illnesses including medical treatment, compensation for lost wages, and rehabilitation services.
- The insurance premium is renewed every July during Labour insurance renewal process.

Insurance Type	Contribution Rate	Employer/Employee Split
Employment Insurance	1.55%	50/50
Workers' Accident Compensation Insurance	0.25%–8.8%	Employer Only

Individual Tax

☒ **Income Tax (National)**

- Progressive tax system: Rates range from 5% to 45%, depending on annual income.
- Calculation and withhold income tax from salaries are monthly

Income Range (annual)	Tax Rate
Up to 1.95M JPY	5%
1.95M–3.3M JPY	10%
3.3M–6.95M JPY	20%
6.95M–9M JPY	23%
9M–18M JPY	33%
Over 18M JPY	45%

☒ **Inhabitant Tax (Municipal)**

- Flat rate of approximately 10%
- Calculated by local municipal offices based on previous year's income
- Deducted monthly from salary

Individual Tax

☒ **Year-End Adjustment (Nenmatsu Chosei)**

- Employers reconcile **tax withheld during the year** with the **actual tax liability**.
- Ensures employees pay the correct amount without filing a full tax return (unless they have additional income sources)

☒ **Withholding Tax Slip (Gensen Choshu Hyo)**

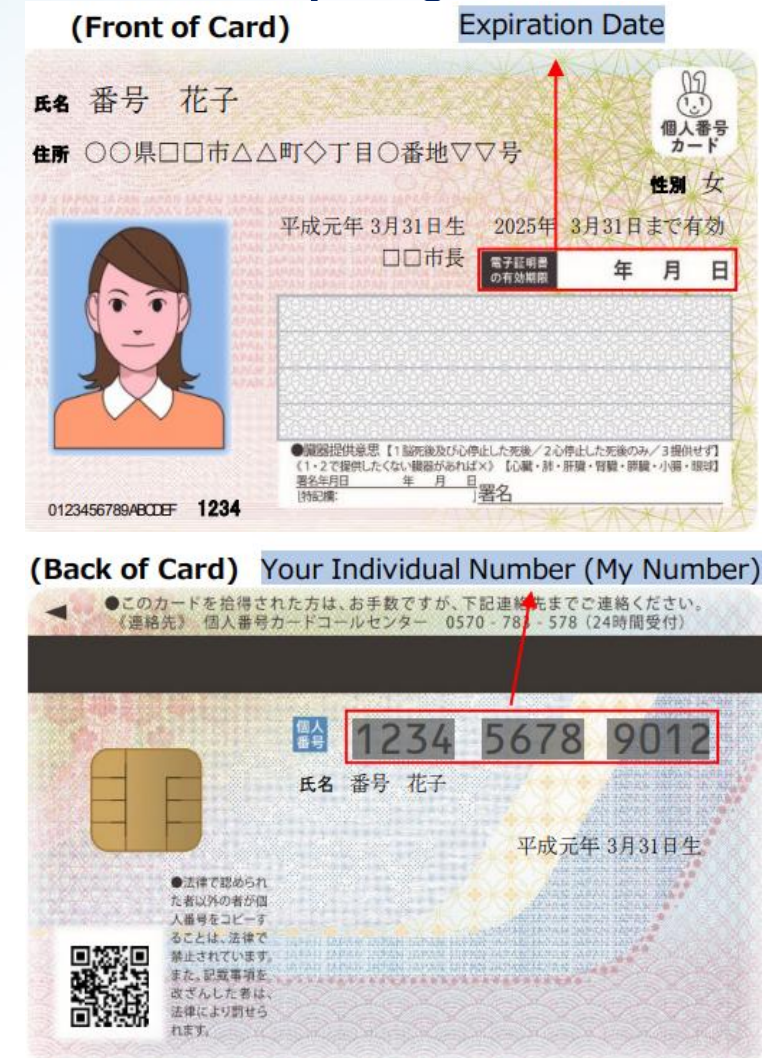
- Issued annually by employers
- Summarizes total income and taxes withheld
- Used for tax filing or verification

Note: Either foreigner or local Japanese would be applied a same tax rate except non-residence employees

My Number (Social Security Number) System

What is My Number Card?

- Official form of ID with a 12 Unique Individual Number/Card used both online or in-person.
- Displays basic information: name, address, DOB, gender, Individual Number and photo.
- Assigned to all residents of Japan, including both Japanese citizens and foreign residents.
- Purpose of My Number Card:
 - Social Security: Managing pensions, health insurance, and welfare benefits, Use as Health insurance card.
 - Taxation: Simplifying tax filings and ensuring accurate tax payments.
 - Disaster Response: Providing prompt assistance and support to affected residents in case of emergency



2025 Legislation Update



2025 Legislation Update

Update	Description
2025 Minimum Wage Update	Japan's minimum wage will exceed ¥1,000 in all prefectures, with the national average rising to ¥1,226 from October 2025, subject to phased implementation in some areas.
Expanded Flexible Work Rights for Parents	As of 1 October 2025, Japanese employers need to provide at least two flexible work options for employees raising children aged 3 to 6 years old. Acceptable options include remote or hybrid work, flexible start and end times, or reduced working hours.
Revision of the Employment Insurance Act	Several updates to the Employment Insurance Act will take effect in April 2025, including reduced premium rates, adjusted benefit levels, new postnatal and childcare support, and revised eligibility requirements.
Revision of Nursing Care Leave Act	From April 2025, employers must encourage telework for employees with nursing care needs and ensure staff are informed of and using available nursing care leave.
Revision of Childcare Leave Act	From April 2025, childcare leave will be easier to take with expanded leave, stricter overtime rules, removal of contract-length exclusions, and greater promotion of telework for parents.
Mandatory Retirement Age Reform	Employers must guarantee employment until age 65, encouraging flexible work until 70 amid demographic challenges.

Employer of Record (EOR)

What is an Employer of Record?

A EOR provider acts as the legal employer of a client's employees and second the employee back to the client under a service agreement enabling you to hire anyone, anywhere in Asia **within 48 hours**.



Did you know?

The Employer of Record was a \$4.2B USD industry in 2021 and is forecast to reach USD6.8B by 2028!

Source: Valuates Reports

Hire anyone, anywhere, in **48 hours!**

Key reasons Clients engage EOR services



Speed to market

Compliantly hire anyone, anywhere in Asia in **less than 48 hours** with on the ground HR support



Flexibility & Cost

Expand into new markets **without** incurring the **cost**, **commitment** and **timeline** associated with setting up a new legal entity



Wider Talent Pool

Access a wider talent pool by **hiring** in demand **skillsets** from **anywhere** in Asia



M&A Activity

Simplifying corporate structure by **closing legal entities** and moving 'orphaned employees' under an **EOR provider** to save ongoing costs



Mobility & Retention

Retain staff by allowing them to **relocate anywhere** in Asia and work remotely

Q&A

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