

Japanese Law Explained

Freelance Protection Law

In recent years, the number of freelancers in Japan (employees who are not directly employed by companies where they work) has been rapidly increasing, with many active in fields such as design, IT, translation, and video editing; however, issues such as delayed or non-payment of fees, sudden contract cancellations, and unreasonable demands for revisions have also been on the rise.

To address these issues, Japan enacted a new law on November 1, 2024, entitled the "Act on Ensuring Appropriate Transactions Involving Specified Commissioned Businesses" (commonly referred to as the Freelance Protection Law). This law introduces new rules aimed at promoting fair transactions between companies and freelancers and protecting these workers' conditions.

This article outlines the key points of this system and is especially notable for all foreign freelancers and overseas companies.

1. Who is Covered by the Law ?

As a general rule, the Freelance Protection Law applies to outsourcing arrangements between businesses and individual freelancers acting as independent contractors. It does not apply to transactions involving consumers or simple sales contracts.

Freelancers covered by this law are individuals who accept outsourced work and do not employ other workers. The ordering party refers to businesses that outsource work to freelancers.

Both Japanese and foreign nationals are protected under this law if they are commissioned to work in Japan as individuals.

2. Regulations for Fair Transactions

To ensure fair dealings with freelancers, ordering businesses must adhere to the following three rules:

- ✓ **Clear Statement of Contract Terms:** When outsourcing work, the ordering business must specify the contract term, such as the scope of work, payment

amount, and due date, in writing or through electronic means such as email or social media.

- ✓ **Payment Within 60 Days:** The ordering party must pay the freelancer within 60 days after they complete their work.
- ✓ **Prohibition of Unfair Practices:** If the transaction is ongoing, the ordering business is prohibited from refusing to accept the results of the freelancer's services, reducing payment, requiring the return of any work product or materials provided, making unreasonably low offers, forcing the freelancer to purchase or use specific goods or services, demanding unfair economic benefits unrelated to the agreed payment, or unjustly changing the scope of work or requiring the freelancer to perform additional work to remedy or revise completed work.

3. Regulations for Improving Working Conditions

To protect a freelancer's working environment, ordering businesses must do the following:

- ✓ **Accurate Descriptions in Job Postings:** Businesses must not post misleading advertisements, such as offering higher payments than actually provided.
- ✓ **Harassment Prevention Measures:** The ordering business is obligated to take necessary measures to prevent harassment (including power harassment and sexual harassment) that may harm the freelancer's working environment.
- ✓ **Support the Freelancer's Work-Life Balance:** While employed, the ordering business must consider all necessary measures to help freelancers balance their work with childcare or caregiving responsibilities.
- ✓ **Advance Notice of Contract Termination:** If the ordering business intends to terminate or not renew a freelancer's contract that has continued for six months or longer, it must provide the freelancer with at least 30 days' prior notice of the termination or non-renewal.

4. Conclusion

The Freelance Protection Law is a significant consideration for both freelancers working in Japan and foreign companies engaging their services. If you are currently under an outsourcing contract and have concerns about whether your agreement complies with this law, we encourage you to consult our office.

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Contacts

Cross-Border Team

[Email](#) to our Cross-Border Team

E: cross-border@miyake.gr.jp

Our other documents are available [here](#).

YASUCHIKA FUKUDA

Partner

[Email](#) to Yasuchika Fukuda

E: y-fukuda@miyake.gr.jp

Profile is available [here](#).

KOJI NAMBU

Partner

[Email](#) to Koji Nambu

E: k-nanbu@miyake.gr.jp

Profile is available [here](#).

NICHOLAS KUWADA

Foreign Attorney *Not Admitted in Japan

[Email](#) to Nicholas Kuwada.

E: n-kuwada@miyake.gr.jp

Profile is available [here](#).

RIKO MIZUSEKI

Associate

Profile is available [here](#).

AYAKA MITSUI

Associate

Profile is available [here](#).

Miyake & Partners

<https://www.miyake.gr.jp/en/>

Osaka office: Nissay-Yodoyabashi-East Bldg. 16F,3-3-13, Imabashi, Chuo-ku, Osaka,541-0042 Japan

Tokyo office: Yurakucho Denki Building, North Tower,9th Floor 1-7-1 Yurakucho, Chiyoda-ku,Tokyo 100-0006 Japan