



Outsourcing

in 21 jurisdictions worldwide

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Japan

Atsutoshi Maeda and Takashi Nakazaki

Anderson Mōri & Tomotsune

Market overview

1 What kinds of outsourcing take place in your jurisdiction?

In Japan, the following kinds of outsourcing take place:

- production and operations, such as for an automobile manufacturing factory or electrical appliance factory;
- physical distribution management, such as operating a physical distribution management system;
- call centre operations, such as telemarketing centre operations or support service centre operations;
- informational technology (IT) outsourcing (ITO), including cloud computing outsourcing, data centre outsourcing, networks and IT infrastructure outsourcing, applications development and maintenance outsourcing and support desk outsourcing;
- business process outsourcing (BPO), including office equipment administration, office facilities management, accounting and HR functions (including payroll accounting, recruiting, supporting retired employees, employee benefit administration and training and development);
- property management outsourcing, including the management of real estate assets for the owner or occupier of the property, paying taxes, paying or collecting rents and keeping the property in good repair;
- general business services outsourcing, such as security and software programming; and
- content production, including television programme production and animation and game content production.

2 Describe the recent history of outsourcing in your jurisdiction. How well established is outsourcing? What is the size of the outsourcing market in your jurisdiction?

In Japan, the outsourcing of production operations, physical distribution management, call centre operations, information technology operations and content production operations is well established. Recently, a BPO market has been established in Japan and is growing slowly but steadily. In particular, cloud computing services within the BPO have just launched and are anticipated to grow quickly.

According to Yano Research Institute Ltd, a Japanese research institution, the size of the domestic IT outsourcing services market in the fiscal year 2012 was ¥2,968.4 billion and the size of the domestic IT outsourcing services market in the fiscal year 2013 is estimated to increase by 3.5 per cent from the previous fiscal year to ¥3,072.2 billion. It is anticipated that an increasing number of companies will start to use IT outsourcing services with data centres as part of their plant investments in order to upgrade the company infrastructure before the upcoming increase in consumption tax. Also, it is likely that more companies will introduce IT outsourcing services for the first time in order to maintain business continuity.

As for BPO markets, the size of the domestic BPO services market in the fiscal year 2012 was ¥3.315 trillion and the size of the BPO services market in the fiscal year 2013 is estimated to increase by 3.8 per cent from the previous fiscal year to ¥3.4267 trillion.

Policy

3 Has the government of your jurisdiction adopted policies to encourage the development of the jurisdiction as an outsourcing centre, either for the domestic market or to provide outsourcing services to foreign customers?

The Japanese government has not adopted policies as such, but continues to encourage the use of outsourcing services and embraces the outsourcing service market in Japan. The Ministry of Economy, Trade and Industry (METI) issued a report on how to establish a BPO market in Japan in 2008. The report stated that the business sector of Japan has a negative attitude to BPOs compared to other countries and has analysed the reasons for this from various viewpoints including cultural, historical and economical viewpoints.

4 Are there in your jurisdiction any fiscal or customs incentives, development grants or other government incentives to promote outsourcing operations within your jurisdiction?

There are no fiscal or customs incentives, development grants or other government incentives to promote outsourcing operations in Japan.

Legislation and regulation

5 Is outsourcing as a commercial or operational concept specifically recognised and provided for in your legal system? How?

Outsourcing is not specifically recognised as a commercial or operational concept or provided for under Japanese laws.

6 Is there any legislation or regulation that directly prohibits, restricts or otherwise governs outsourcing, whether in (onshore) or outside (offshore) your jurisdiction?

There is no legislation or regulation that directly prohibits, restricts or otherwise governs outsourcing specifically. However, some sector-specific rules may apply to outsourcing.

7 What are the consequences for breach of the laws directly restricting outsourcing?

There is no legislation or regulation that directly and generally prohibits, restricts or otherwise governs outsourcing. Therefore, this question is not applicable with regard to Japanese law.

- 8 Describe any sector-specific legislation or regulation that applies to outsourcing operations.

Financial services

The Financial Service Agency (FSA), which regulates the financial service industry, regularly implements inspections of financial institutions such as banks, securities firms and insurance companies and publishes manuals for such inspections publicly. These inspection manuals include checkpoints for such inspections and those checkpoints function as guidance for financial institutions. In relation to outsourcing, the following points will be checked:

- how to plan and implement outsourcing;
- how to control risks related to outsourcing; and
- how to resolve problematic issues.

However, even if the FSA finds problematic issues in relation to the above, there are no criminal penalties, although the FSA may take these points into consideration when deciding whether to make an order, including an order for the business to submit a business improvement plan.

The manuals described above refer to the security standards for computer systems. In outsourcing, financial institutions must comply with these standards and ensure that outsourcing agents comply with such security standards.

Also, in 2001, the Bank of Japan, being the central bank of Japan that supervises the banking industry, published a paper on risk control for the outsourcing of financial institution business. This paper covers the following topics:

- how to establish risk control systems when commencing outsourcing;
- how to monitor risks after the commencement of outsourcing; and
- how to deal with accidents occurring during outsourcing.

The paper includes suggestions as to how to carry out outsourcing for financial institutions and does not prescribe penalties. However, the Bank of Japan will take the paper into consideration when overseeing bank operations.

Medical services

Under the Medical Care Act, hospital managers must comply with standards determined by the Ministry of Health, Labour, and Welfare of Japan (MHLW) when they outsource the following medical services:

- examination of samples;
- sterilisation of medical care equipment;
- food service to patients in a hospital;
- transportation of patients between hospitals;
- maintenance of specific medical care equipment;
- maintenance of gas equipment for medical care;
- cleaning beds and clothes for patients; and
- cleaning facilities for medical care.

There is no criminal penalty for breach of these provisions of the Medical Care Act.

Utility services

In Japan, the water supply is provided by local government agencies acting as the public water supplier. Under the Water Supply Act, a water supplier may outsource water supply management to other water suppliers that meet certain economic and technical requirements.

Legal services

There are no legal restrictions on legal service outsourcing from lawyers to outsourcing agents such as translators and even other lawyers.

In Japan, lawyers are self-regulated and are not governed by a regulatory agency. From a financial perspective, law firms are operated entirely from dues and other revenues collected from members.

Debt collection

Under the Lawyer Act, the dispute resolution business is only open to lawyers. Debt collection usually goes together with disputes and thus, debt collection outsourcing should only be made to debt collection servicers approved by the government under the Act on Special Measures Concerning Claim Management and Collection Businesses and also lawyers.

Local government functions

In the past few years, the Ministry of Internal Affairs and Communications, which oversees the policy and operation of local government, has continued to encourage local governments to outsource their functions partly to private sectors and other public institutions. Many local governments establish outsourcing guidelines and promote outsourcing such as public library operations and public school lunch operations.

- 9 How does competition regulation apply to outsourcing contracts or structures?

Under the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (the Antimonopoly Act), abuse of a superior bargaining position constitutes an unfair business practice and is deemed to be a violation of the Antimonopoly Act. Under amendments made in 2009, such abuse became subject to fines of up to 1 per cent of sales affected by a 'continuous abuse'.

In contrast to the better-known offence of abuse of a dominant market position, abuse of a superior bargaining position does not require that a party have market power, but only that its bargaining position in a given transaction be superior to that of its counterparty. Even parties with a low market share may be found to violate this prohibition.

Parties doing business, including outsourcing, in Japan must be aware that dealing with parties with substantially inferior bargaining positions, especially in the context of a business relationship, presents risks under this provision.

The Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (the Subcontract Act) defines its applicable scope with regard to subcontracting transactions involving the manufacturing of goods, repair of goods, information-based product creation and service provision, consigned from parental entrepreneurs to subcontractors.

Under the Subcontract Act, a parental entrepreneur must draw up a written statement showing clearly the details of the purchase order when placing each purchase order and provide it to a subcontractor and must fix a due date for payment with as short a term as possible with the subcontractor's consent (within a maximum of 60 days after receipt of goods or service).

Any act falling within the scope of the definitions of prohibitions stipulated by the Subcontract Act will be considered a violation of the Act, even if committed with the subcontractor's consent. Prohibited conduct applied to the parental entrepreneur comprises the following conduct:

- (i) refusing to receive work from a subcontractor other than for reasons attributable to the subcontractor;
- (ii) failing to make payment of subcontract proceeds after the lapse of the date of payment;
- (iii) reducing the amount of subcontract proceeds other than for reasons attributable to the subcontractor;
- (iv) causing a subcontractor to take back the goods relating to its work after receiving the work from the said subcontractor other than for reasons attributable to the subcontractor;

- (v) unjustly setting subcontract proceeds at a level conspicuously lower than the price ordinarily paid for the same or similar content of work;
- (vi) coercing the subcontractor to purchase designated goods or to use designated services except in such cases where it is necessary to standardise or to improve the content of the work performed by a subcontractor or where there are other justifiable grounds; or
- (vii) reducing the volume of transactions, suspending transactions or giving some other disadvantageous treatment because the subcontractor informed the Fair Trade Commission or the director general of the Small- and Medium-Sized Enterprise Agency of such a fact, where a main subcontracting entrepreneur is taking such actions as mentioned in point (i) or point (ii), or has taken such actions as mentioned in points (iii) to (vi) inclusive or where there exists a condition falling under any one of the items in the following points in respect of the main subcontracting entrepreneur:
- (a) in cases where the main subcontracting entrepreneur has caused the subcontractor to purchase semi-finished goods, parts, accessories or raw materials (raw materials, etc) from it, which are necessary for the work performed for the main subcontracting entrepreneur and, without reasons attributable to the subcontractor, deducted all or part of the price of the raw materials, etc, from the amount of the subcontract proceeds to be paid, or caused the subcontractor to pay all or a part of the price of the said raw materials, etc, at a time earlier than the date of payment of the subcontract proceeds for the work in which the said raw materials, etc, are employed;
 - (b) in respect of the payment of subcontract proceeds, the main subcontracting entrepreneur delivers a negotiable instrument that is found to be difficult to discount by the date of payment of the subcontract proceeds by a general financial institution (being a person who receives deposits or savings and lends funds as a business);
 - (c) the main subcontracting entrepreneur causes a subcontractor to provide cash, services or other economic gains for the main subcontracting entrepreneur; or
 - (d) the main subcontracting entrepreneur causes a subcontractor to change the contents of the work or to redo work after the initial work has been performed (ie, after the provision of the service by the subcontractor, in the case of a service contract), without reasons attributable to the subcontractor.

- 10** Are there any draft laws or legislative initiatives specific to outsourcing that are being developed or are contemplated?

There are no draft laws or legislative initiatives specific to outsourcing that are being developed or are contemplated.

Contractual considerations

- 11** What are the typical corporate or quasi-corporate structures or vehicles used to create outsourcing arrangements?

There are no typical corporate or quasi-corporate structures or vehicles used to create outsourcing arrangements.

Large Japanese companies sometimes separate a back office division such as IT, physical distribution, training and development from a company and outsource these services to the separated entity. Such a separation may be done by company split or business transfer under the Companies Act. However, in general, the company split or business transfer cannot make the labour conditions in any part of the company worse.

- 12** What forms of outsourcing contract are usually adopted in your jurisdiction?

Many Japanese companies make straightforward outsourcing contracts with outsourcing agents. In addition, many Japanese companies use temporary staff from a temporary staffing firm.

- 13** Outline the contractual approaches that are adopted in your jurisdiction to address regulations affecting outsourcing.

As stated in question 14, Japanese companies must appropriately supervise their outsourcing agents in respect of the handling of personal data as an information handler.

Further, the information handler must ensure that the personal data in the possession of the outsourcing agents is subject to the level of security that is required of the information handler under the Personal Information Protection Act. Thus, Japanese companies usually incorporate the following items in an outsourcing agreement to comply with such data protection rules:

- a right to monitor the state of the outsourcing agent's handling of personal data; and
- a provision to ensure that the outsourcing agent complies with security and other compliance standards.

As stated in question 8, the FSA, a regulator of the financial sector including banks, securities firms and insurance companies, has several checkpoints for their inspections in their inspections manual. In addition, the FSA has the authority to make inspections of not only financial institutions, but also of financial institutions' outsourcing agents. Thus, Japanese financial institutions usually require their outsourcing agents to accept the following provisions in the relevant outsourcing agreements:

- clear scope of work provision;
- clear contract term provision;
- service level provision;
- suitable liability provision;
- supervising and inspecting rights; and
- security provision.

In relation to cloud computing services, the METI suggests incorporating service level provisions or concluding a separate service level agreement with a cloud computing service provider. Thus, it is usual to incorporate such a provision into a cloud computing service agreement.

Data protection

- 14** Identify the principal data protection legislation applicable to outsourcing operations.

PIPA and Guidelines

With reference to personal data protection, the Personal Information Protection Act (Law No. 57 of 2003) (PIPA) governs the protection of information that is personal in nature.

Pursuant to the PIPA, each government agency has issued guidelines regarding the treatment of personal information in the areas that fall under the jurisdiction of that agency. Such guidelines set out in more detail the responsibilities of business operators with regard to safeguarding personal information. Examples of such guidelines are set out below. A business operator should verify whether these guidelines apply to it and comply with the applicable guidelines as well as the PIPA.

Ministry of Economy, Trade and Industry

The METI has issued certain guidelines known as the Guidelines Targeting Economic and Industrial Sectors Pertaining to the Act on the Protection of Personal Information.

Ministry of Health, Labour and Welfare

The Ministry of Health, Labour and Welfare of Japan (MHLW) has issued the following guidelines in respect of personal information.

- Guideline of Handling of Personal Information in the Medical and Nursing Care Business Industry; and
- the Guidelines on Personal Information Protection in the Employment Management Industry.

Financial Services Agency

The Financial Services Agency of Japan (FSA) has issued the Guideline on Protection of Personal Information in the Financial Industry.

Outsourcing regulation

Under the PIPA, an information handler may not transfer or provide personal data to any third parties, including other companies within its group, unless prior consent of the data subject is obtained (the limitation on transfer). An exemption is available in respect of external contractors providing data management services (outsourcing agents) to the extent necessary for the achievement of the purpose of use of the information handler. Such outsourcing agents are not regarded as third parties for the purposes of the limitation on transfer.

Under the PIPA, where management of personal data is outsourced to outsourcing agents, the information handler must appropriately supervise the outsourcing agents in respect of the handling of personal data. Further, the information handler must ensure that the personal data in the possession of the outsourcing agents is subject to the level of security that is required of the information handler under the PIPA.

In this regard, the relevant guidelines issued by each government agency should also be complied with.

METI Guidelines

Pursuant to the Guidelines Targeting Economic and Industrial Sectors Pertaining to the Act on the Protection of Personal Information issued by METI, the following measures are recommended to be taken by the information handler:

- selection of outsourcing agents: the information handler should ensure that the security control measures for the personal data implemented by the outsourcing agent are, at the very least, equivalent to the security control measures required by the PIPA. Where the need arises, the information handler should assess the outsourcing agent's handling of personal data in an appropriate and timely manner;
- conclusion of outsourcing agreements: the outsourcing agreements should include a provision that the information handler will monitor the state of handling of the personal data that was outsourced to the outsourcing agent. Where the information handler is in a dominant bargaining position, it should not impose an unfair obligation on the outsourcing agent such as requiring the outsourcing agent to bear all damages arising from any claim by a data subject in disregard of the shared duty between them concerning the security control measures; and
- monitoring of the state of the outsourcing agent's handling of personal data: the information handler and the outsourcing agent should mutually review the extent to which the personal data is handled in accordance with the outsourcing agreement. Where the information handler does not exercise necessary and appropriate supervision over the outsourcing agent, it may have to bear responsibility in the case where the personal data is further outsourced by the outsourcing agent and the personal data is not handled properly by the sub-outsourcing agent. Where there is a high risk that secondary damages may be incurred as a result of leakage of outsourced personal data, the information handler should exercise a higher level of supervision.

In order to protect the rights of the data subject, such as consumers, in the interests of transparency, the information handler should inform the data subject of the fact that there will be outsourcing of their personal data and the extent to which the personal data will be outsourced. The level of disclosure to the data subject may vary depending on the characteristics of the information handler's business.

MHLW Guideline

In respect of the personal information of employees, pursuant to the Guidelines for PIPA issued by the MHLW, the following measures should be taken by the information handler:

- establish criteria and standards for selecting an outsourcing agent, which has an appropriate system for the protection of personal information;
- ensure that the outsourcing agreement with the outsourcing agent explicitly includes provisions regarding the proper handling of the personal data, such as the following:
 - the outsourcing agent should prohibit its employees from divulging personal information and using or processing the personal data beyond the scope of the outsourcing agreement;
 - the outsourcing agent should notify the information handler in writing in the event that it sub-outsources the handling of the personal data to another third party. However, it is desirable not to sub-outsource due to a greater risk of divulging the employment management information;
 - the term of the outsourcing agreement, control method of the personal data and the disposition method (return to the information handler or destruction or deletion by the outsourcing agent) of the personal data after the termination of the outsourcing agreement should be stipulated;
 - once the purpose of the outsourcing is achieved, the disposition of the personal data as stated in the point above should be properly conducted without fail;
 - the outsourcing agent should not modify, alter, rewrite or add unauthorised information to the personal data beyond the purpose of the scope of the outsourcing agreement;
 - the outsourcing agent should not copy or duplicate the personal data unless it is necessary for emergency back-up or for the purposes of the outsourced business;
 - the outsourcing agent must inform the information handler in the event that the personal data is leaked, damaged or lost; and
 - the outsourcing agent will be liable for any leakage, loss or damage of or to the personal data. Further, in such a case, the information handler and the outsourcing agent should coordinate the prevention of recurrence.

FSA Guidelines

Pursuant to the Guidelines for PIPA issued by the FSA, the following measures should be taken by the information handler:

- establish criteria and standards for selecting the outsourcing agent, which include the necessary substance of the company organisation to be developed by the outsourcing agent and the basic policy and internal rules concerning security control of the personal data to be developed by the outsourcing agent. The information handler must select an appropriate outsourcing agent in accordance with these criteria and standards. The criteria and standards must be periodically reviewed;
- execute an outsourcing agreement with the outsourcing agent to ensure the proper handling of the personal data, including the following provisions:
 - the information handler's right to supervise and monitor the outsourcing agent to ensure the personal data is being handled properly, and to receive reports from the outsourcing agent on the handling of the personal data;

- prohibition of the outsourcing agent's using the personal data for any purpose other than the services that are outsourced to the outsourcing agent and prevention of leakage, loss or damage to the personal data;
 - the terms and conditions of sub-outsourcing; and
 - the outsourcing agent's liability for any leakage, loss or damage of or to the personal data; and
- to periodically monitor, supervise and review the activities of the outsourcing agent to ensure the personal data is being handled properly.

In the event of a violation of any provisions of the PIPA, the relevant government ministry or agency overseeing a given information handler's business field (relevant government ministry) may advise the information handler to cease the violating activity. In the event that the information handler does not properly respond to the government advice and it is recognised that important individual rights are on the verge of being violated, the relevant government ministry may order the information handler to cease the violating activity. If the information handler does not properly respond to this government order, the responsible officer or employee of the information handler may be subject to a maximum penalty of either up to six months' imprisonment or a fine of up to ¥300,000. In such an event, the information handler itself will also be subject to a fine of up to ¥300,000.

- 15** How do rules on the ownership, location, processing and distribution of data apply to outsourcing in your jurisdiction?

The guidelines for medical care information processing businesses were issued by METI in 2010. Certain medical care information must be recorded and kept under Japanese laws. The guidelines require that an information process system be located within areas where the Japanese laws apply.

Labour and employment

- 16** What is the relevant labour and employment legislation for outsourcing transactions?

There is no relevant labour and employment legislation for outsourcing transactions.

- 17** In the context of an outsourcing, how does labour and employment law apply to a change in initial or subsequent service providers, or transfers of undertakings or parts of undertakings?

In the context of an outsourcing, labour and employment law would not apply to a change in initial or subsequent service providers or transfers of undertakings or parts of undertakings.

- 18** Are there any requirements to consult or negotiate with organised labour, works councils or employees regarding an outsourcing?

As stated in question 11, separating a division such as IT and training may be done by company split or business transfer under the Companies Act.

Under the Act on the Succession to Labour Contracts upon Company Split, a company does not have to obtain each employee's consent to a company split, but must discuss with labour unions before the company split. On the other hand, in a business transfer, a company has to obtain consent from an employee in order to transfer that employee.

Under the Labour Contract Act, a company cannot worsen the conditions of employment without the prior consent of labour unions or each employee.

- 19** Are there any notification or approval requirements that apply to an outsourcing transaction?

There are no notification or approval requirements that apply to an outsourcing transaction.

- 20** What are the legal implications, including penalties, for non-compliance with the labour and employment rules and procedures?

There is no penalty clause in the Labour Contract Act or the Act on the Succession to Labour Contracts upon a company split. If a company makes worse the conditions of employment without the prior consent of labour unions or each employee, such a company may be reported to the Office of Supervision of Labour Standards and be involved in a labour dispute.

- 21** What are the key immigration and visa requirements for employees of customers or providers entering your jurisdiction to manage outsourced operations or to receive or provide training?

A foreign national who intends to engage in a profession or occupation or to engage in any other activity for remuneration in Japan must enter Japan on a 'status of residence', which enables him or her to conduct such activities in Japan. Under the Immigration Law, the activities permitted and conditions and requirements to be satisfied vary depending on the status of residence.

A list of statuses of residence and authorised activities under each status of residence is available at the following site: www.japaneselawtranslation.go.jp/law/detail_main?re=&vm=&id=1934#en_apxt1.

In relation to the conditions and requirements to be satisfied for each status of residence and for the actual procedures to enter Japan on each status of residence, prior consultation with an immigration attorney is advised.

Taxation

- 22** Outline the taxation rules that apply to the establishment and operation of outsourcing captives or similar establishments in your jurisdiction.

Corporate tax is a tax on the income of corporations, and such a tax is determined through self-assessment. The amount of corporate tax due at the time the corporation files its tax return may be reduced by the amount of income tax of the corporation that is withheld at the source. All corporations, including public corporations, charitable organisations, cooperative associations, associations without corporate status and ordinary corporations (eg, a stock company, limited liability company or general incorporated association, etc) are required to pay corporate taxes. However, the analysis in this question relates only to ordinary corporations.

In relation to foreign outsourcing agents, there are various factors that affect their taxation, such as whether the foreign outsourcing agent has a permanent establishment in Japan, the type of such permanent establishment, the existence or non-existence of domestic sourced income and the type of such domestic sourced income.

When foreign outsourcing agents have a permanent establishment in Japan, such foreign agents become subject to Japanese taxation in respect of their domestic sourced income and are required to pay self-assessed taxes. Therefore, it is more beneficial, in general, for foreign corporations not to have a permanent establishment in Japan. Under the Corporate Tax Act, a permanent establishment may be summarised as a branch, an agent or the carrying out of construction work (for a certain period of time).

To avoid international double taxation, tax treaties are concluded between countries. If there are conflicts between tax treaties and Japanese domestic tax laws, tax treaties theoretically should take precedence. The definition and treatment of a permanent establishment may depend on provisions found in the relevant tax treaties.

Update and trends

One recent trend is that the Japanese government is looking to strengthen personal data protection in relation to large data businesses. The government established a special committee on personal data in business in September 2013 that will present a report regarding the protection of such personal data at the end of 2013. The committee includes a subcommittee focusing on how to make personal data anonymous. In addition, the committee will conduct discussions regarding whether Japan should establish a privacy commissioner like the EU. These potential changes may strengthen the existing regulations on outsourcing in relation to the processing of personal data in the near future.

- 23** Outline the indirect taxes in your jurisdiction that apply to the import of offshore outsourcing services by companies within your jurisdiction.

Indirect taxes are not chargeable on the services a customer in Japan receives from an offshore provider.

Current issues

- 24** Identify and give details of any notable cases or administrative or regulatory determinations within the past three years in your jurisdiction that have directly involved outsourcing.

The JFTC and the Small and Medium Enterprise Agency have been very eager to investigate compliance situations under the Subcontract Act and have detected 3,091 breaches by 1,190 companies in 2011 and 2,715 breaches by 1,035 companies in 2012.

- 25** What are the main challenges facing outsourcing within, from or to your jurisdiction?

Many Japanese companies have not detailed their business process in manual form. It is therefore difficult to define a particular scope of business to be outsourced.

Japanese companies are very vigilant about the risks and the trouble that can arise from outsourcing. Therefore, they tend to avoid outsourcing. Further, Japanese companies tend to demand perfect service from outsourcing agents, regardless of the remuneration paid to outsourcing agents.

To enjoy the benefits of business process outsourcing, a company will need to accept some changes in its business process. However, many Japanese companies do not like such changes.

The most challenging obstacle for offshore outsourcing is the language barrier. For example, Japanese companies have so far struggled to establish a call centre in China or other offshore areas. They have found that Japanese consumers are very demanding regarding the language capabilities of call centre staff and hiring people who can speak Japanese at a level necessary for a call centre business is not cost-effective.

In relation to the outsourcing of HR and accounting, the Japanese legal system relating to HR and accounting is very complex and takes much time to understand. Thus, it is very difficult to create any value by outsourcing offshore.

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