

## **NISA:**

### **Japan's new tax exemption scheme for investment by individuals**

*Personal asset building through self-reliant efforts is becoming quite important for the stable and prosperous future life of individuals in Japan's rapidly aging society. NISA, short for Nippon (Japan) Individual Savings Account, a new type of tax exemption program for small investments, is expected to be an effective instrument for individuals' mid-to-long term asset accumulation as well as a functional conduit of funds to promising businesses.*

In Japan, a new tax exemption measure to promote investment by individuals was introduced in January this year. This tax-free investment system is modeled after the Individual Savings Account (ISA) in the United Kingdom and is called NISA, which means the Japanese version of ISA. NISA is expected to stimulate medium- and long-term asset formation by individuals and to encourage people to prepare for the future by accumulating financial assets. Another expected benefit of NISA is to function as a conduit of capital for growth funded by household financial assets and supporting promising businesses.

NISA is intended for any residents of Japan aged 20 or more. With the NISA account, all individuals are eligible for an exemption of the 20% levy on income from capital gains and dividends from annual investments of up to one million yen (approximately US \$10,000) made over a five-year period as long as they reside in Japan. Under the current legislation, tax-exempted investment can be made through NISA up to 10 years starting in 2014 for a cumulative investment of 5 million yen (approximately US\$50,000). The main features of NISA are listed in Appendix 1 and a graphic illustration of its tax exemption structure is shown in Appendix 2.

In the United Kingdom, ISA was introduced in 1999 and modified thereafter a number of times to make it easier to use. As a result, the outstanding balance of investment under the ISA system has steadily increased. Today as many as 40% of all households have set up ISA accounts. The main features of the Japanese NISA and British ISA are shown in Appendix 3.

As of the end of January 2014, it is estimated that some 5.6 million NISA accounts have been opened at securities firms and banks. NISA is expected to be used more widely and multigenerationally in future based on further promotion of financial literacy.

\*\*\*

## **Outline of NISA**

***NISA : Nippon (Japan) Individual Savings Account, a tax exemption scheme for investment by individuals, which was launched in January 2014***

### ***Who is eligible?***

- Anyone who lives in Japan and is at least 20 years old.

### ***What income is exempt from tax?***

- Dividends and capital gains from investment in listed shares, stock investment trusts, etc. through a NISA.

### ***Where can a NISA account be opened?***

- It can be opened at securities firms (for investing in listed stocks, stock investment trusts, ETFs and REIT) and banks (only for investing in stock investment trusts).

### ***How many NISA accounts can be set up by one person?***

- Only one.

### ***How much can be invested?***

- A maximum of ¥1 million (approx. US\$10,000) a year can be invested in a NISA up to ¥5 million (approx. US\$50,000) in total.  
(Unused portion of maximum ¥1 million investment of each year cannot be carried over to following years)

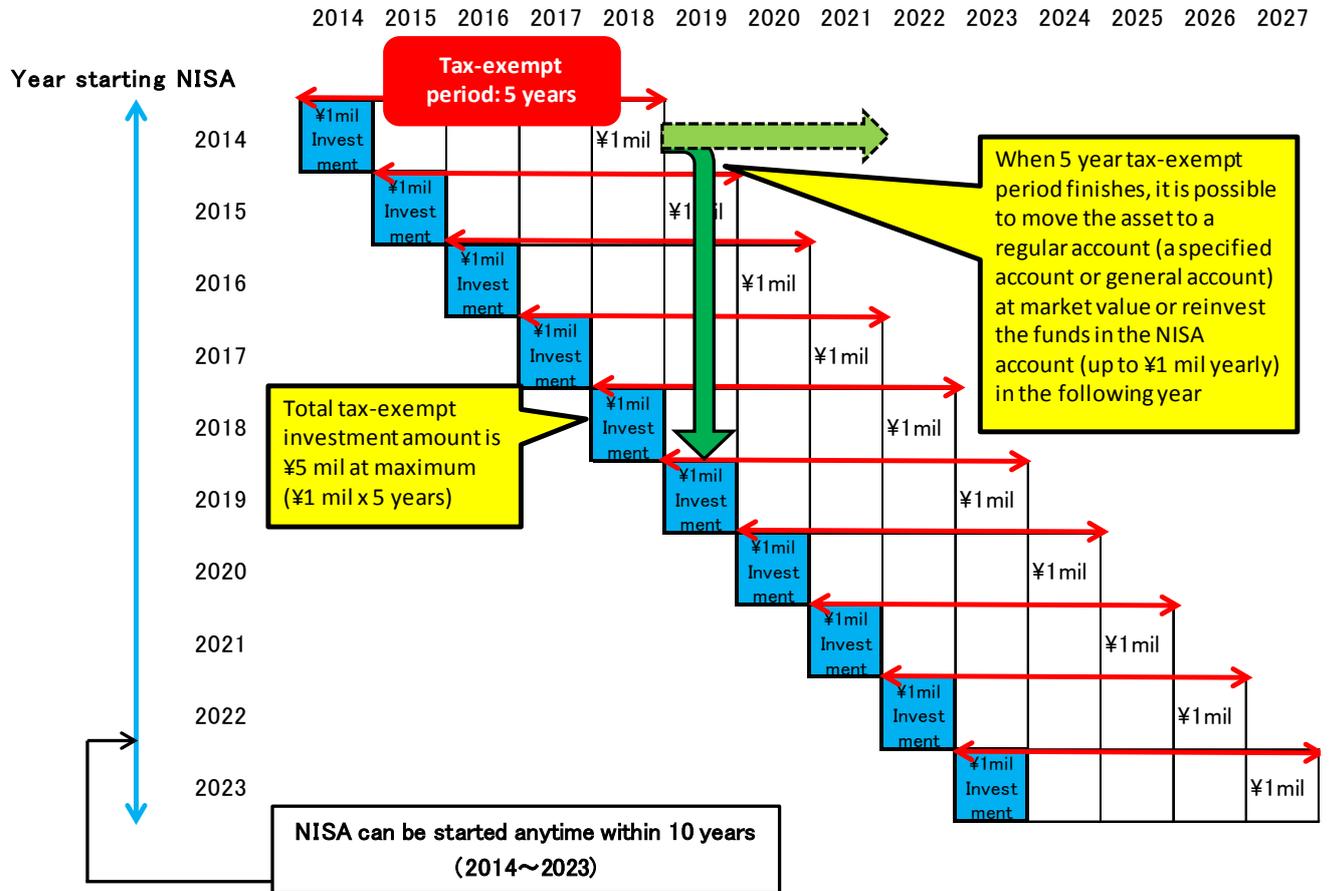
### ***How long is the tax-exempt period?***

- 5 years at longest. After the 5 year period, the investor can hold onto the asset and invest up to ¥1 million yearly under the NISA scheme. Thus the scheme offers a total tax-exempt duration of up to 10 years.

### ***When can the assets held in the NISA be sold?***

- Any time. However, if the assets are sold before the tax-exempt period of five years is over, the portion of tax-exempt capital used to purchase the assets cannot be reused within that period.

## Appendix 2



## Appendix 3

	NISA (Japan)	ISA (United Kingdom)	
		ISA for stocks and other products	ISA for deposits
Scheme establishment	Started on Jan. 1, 2014. Accounts can be set up for 10 years (until 2023).	Started on Apr. 6, 1999 While originally planned to terminate in 10 years, perpetuated in 2008	
Eligible persons	Persons who live in Japan and are aged 20 or older (as of Jan. 1 of each year starting NISA)	Persons who live in the UK and are aged 18 or older	Persons who live in the UK and are aged 16 or older
Tax-exempt period	5 years	Permanent	
Tax-exempt products	Listed stocks, investment trusts, etc.	Stocks, bonds, investment trusts, insurance, bank deposits, etc. (It is possible to repurchase another product unless proceeds received from the sale of the previously invested product are withdrawn from the ISA account.)	Bank deposits, MMF, etc.
Tax-exempt incomes	Dividends and capital gains	Interest (except for interest on bank deposits) Dividends, coupons and capital gains	Interest
Maximum yearly investment amount	A maximum of ¥1 million (approx.US\$10,000) (excluding commission payment)	A maximum of £11,520 (approx.US\$18,800) including both types of ISA 1/ A maximum of £5,780 (approx.US\$9,400) in an ISA for deposits 2/ Maximum yearly investment amounts are reviewed every year based on consumer price index)	

(source) Compiled by JSDA based on the data published by Her Majesty's Revenue and Customs (HMRC)