

NISA

The **small investment tax exemption (NISA)** is a system that exempts gains on the sale of stocks and investment trust investments and dividends from taxation under certain restrictions in Japan.

The law that governs this system is the Act on Special Measures Concerning Taxation.

The name is taken from the abbreviation of Nippon Individual Savings Account, and according to the Nihon Keizai Shimbun, Hitomi Kuroki is the godmother.

New NISAs

The new system will unify the existing General NISA and Mutual Aid NISA, make the tax exemption period permanent, and increase the maximum amount of holdings, starting with investments made in 2024.

The maximum annual investment amount is 3.6 million yen, and the maximum amount of 18 million yen can be invested tax-free.

Changes

Major changes from the General NISA and Tsumitate NISA are as follows.

1. Indefinite tax-free holding period
 2. Permanent account opening period
 3. Combination of accumulation and growth investment limits
 4. Establishment of a tax-exempt holding limit (up to 18 million yen)
- Review of products



Fig1 NASDAQ

Installment NISA

On January 1, 2018, the “Tsumitate NISA” was launched, offering a 20-year tax exemption on accumulated investment trusts worth 400,000 yen per year.

The official name of the program is the “Small Investment Tax Exemption Program for Tax-Exempt Accumulated Investment Contracts”.



Fig2 S&P500 Index

Criticism

Even if a loss determined on financial instruments or investments acquired in a NISA account is cut off, not only can the loss not be aggregated with profit or loss in a tax return in a specified account or a general account, but also any remaining profit or loss can be carried over for three years to receive a tax credit. Not only can the profit and loss not be aggregated on tax returns, but NISA accounts do not allow tax deductions to be carried over for three years even if there is still profit or loss remaining. Therefore, using a NISA account has the effect of increasing as well as reducing taxes, as shown in the table below (taxable account is used as a generic term for specified account and general account).

Table 1
Types of NISA

Name	Summary
New NISA	Combination of the Growth Investment Line, which allows the purchase of listed stocks, etc., excluding some, and the Saving Investment Line, which allows the acceptance of only investment trusts selected as suitable for saving investments.
General NISA	For general stocks and mutual funds.
Installment NISA	Accumulation through mutual funds.
Junior NISA	For parents with children under 19 years old.

With the system made permanent, a new tax-exempt holding limit of 18 million yen per person (including 12 million yen for the Growth Investment Limit) was established. Even if the total book value (value at the time of purchase) of the products held reaches 18 million yen, if a portion of the products held are sold, the amount equivalent to the book value of the sold products can be reinvested in the following year.

It is said that the purpose of setting upper limits on the tax-free holding limit and the annual investment limit is to ensure that the benefits will not be skewed toward the wealthy who have a large amount of assets.

From Wikipedia
<https://ja.wikipedia.org/wiki/NISA>