INVESTMENT ROADMAP FOR US CITIZENS IN JAPAN

How to leverage NISA while remaining compliant with US tax laws

1. THE CRITICAL RULE: WATCH OUT FOR "PFIC"

If you are a US citizen, you are subject to the **PFIC (Passive Foreign Investment Company)** rules under US tax law.

- **The Penalty:** Purchasing non-US mutual funds or ETFs (including standard Japanese NISA mutual funds) triggers punitive tax rates (up to 40%) and extremely complex annual reporting (Form 8621).
- **The Solution:** Avoid foreign mutual funds entirely. Instead, focus on **Individual Stocks** and **US-domiciled ETFs**, which are completely exempt from PFIC rules.

2. COMPLIANT INVESTMENT OPTIONS WITHIN NISA

You can fully utilize Japan's NISA (Growth Investment Slot) by focusing only on PFIC-exempt assets.

Asset Class	PFIC Status	Tax Treatment (Japan / US)	Recommendation
Japanese Individual Stocks (e.g., Toyota, Sony)	Exempt	• Japan: 100% Tax-Free (within NISA) • US: Standard tax rate	**Highly Recommended** for NISA Growth Slot
US-domiciled ETFs (e.g., VOO, SPY, QQQ)	Exempt	• Japan: 100% Tax-Free (within NISA) • US: Standard tax rate Note: 10% US withholding tax applies to dividends	**Recommended**
US Individual Stocks (e.g., Apple, Microsoft)	Exempt	• Japan: 100% Tax-Free (within NISA) • US: Standard tax rate Note: 10% US withholding tax applies to dividends	**Recommended**
Japanese Mutual Funds / ETFs	PFIC (Danger)	• Japan: 100% Tax-Free (within NISA) • US: Punitive tax + complex filings (Form 8621)	DO NOT BUY

3. THE RECOMMENDED PLATFORM: INTERACTIVE BROKERS (IBSJ)

To execute this strategy smoothly, choosing the right broker is essential. Most domestic Japanese brokers restrict US citizens, but **Interactive Brokers Securities Japan (IBSJ)** fully supports US expats.

- **NISA Growth Slot Support:** You can buy Japanese individual stocks tax-free on the Japanese side.
- **100% English Platform:** Seamless account setup, trading, and support.
- **US Tax Reporting:** IBSJ provides the specific transaction reports required for your annual US tax filings, keeping your tax preparation simple and keeping CPA fees low.

4. YOUR ACTION PLAN

1. **Open an IBSJ Account:** Apply for a general account and a NISA account.
2. **Fund the Account in JPY:** Transfer your JPY savings directly.
3. **Utilize NISA Growth Slot:** Purchase high-quality Japanese individual stocks, US-domiciled ETFs, or US stocks.
4. **Report Annually:** Provide the IBSJ reports to your US tax accountant for your standard Form 1040 filing.

5. A BALANCED APPROACH

Investing is only one part of your life plan. Before allocating your cash to investments, it is essential to look at your overall financial picture:

- **Cash Reserves:** Keep emergency cash to secure your lifestyle in Japan.
- **Debt Management:** If you have a mortgage, balance your investment pace with your debt repayment strategy.
- **Your Goals:** Align your investment timeline with your future plans, whether you plan to stay in Japan permanently or eventually return to the US.