

Labour's Fiscal Plan 2026

Better today. Better tomorrow.



Every promise Labour has made is fully paid for.

We will:

- ▶ Pay for what we promise
- ▶ Balance the books without shrinking the economy
- ▶ Make every dollar work harder.
- ▶ Invest in the jobs, services and productive capacity that help New Zealanders get ahead.

Hard work should get you somewhere. If you work hard and do your bit, you should be able to get ahead and build a good life here in New Zealand.

Right now, too many people are doing everything asked of them and still going backwards. Household budgets are stretched, costs are rising twice as fast as wages, small businesses are under pressure, and the public services people rely on have been weakened.

A strong economy and responsible government finances are not separate goals. They depend on each other. New Zealand needs a government that can manage the books, grow the economy and make life better for the people and businesses working hard. **This Fiscal Plan sets out how Labour will do that.**

Every election commitment Labour has made is fully costed and fully funded.

We will return the books to surplus in 2028/29, bring net debt down below 20% of GDP over time, and keep government spending and revenue sustainable. We will keep the \$2.4 billion operating allowances set at Budget 2026, and our announced capital commitments fit comfortably within the \$12 billion of future capital allowances. We also have almost \$10.5 billion of future operating allowances unallocated.

National broke its promise

National promised to grow the economy and get the government's finances in order. It has done neither.

Unemployment is higher, growth is weaker, debt has continued to rise, and frontline services have been cut. New Zealand cannot afford another three years of National.

Labour will balance the books without shrinking the economy.

That means making smarter investments, backing the people and businesses doing the work and investing where it pays off. It means we won't make short-term cuts that put more people out of work, weaken essential services or leave a bigger bill for the future. And it means judging every dollar by whether it makes New Zealand stronger.

Labour's Fiscal Plan is built on four commitments:

Everything is paid for

Every election commitment Labour has made is fully costed and fully funded.

All new investment will fit within the fiscal plan and demonstrate value for money. We will keep Budget 2027 and subsequent operating allowances at \$2.4 billion and use them to meet cost pressures and fund priorities. We will make different choices within these same allowances to invest in what matters to New Zealanders.

Our announced capital commitments are also provided for within the plan. They fit comfortably within the \$12 billion of future capital allowances. We also have almost \$10.5 billion of future operating allowances unallocated. The numbers add up, and there is room to respond to future pressures.

Make every dollar work harder

Fiscal responsibility is about getting the most value from every dollar.

We will focus investment on what improves people's lives, strengthens the economy, prevents bigger costs later or builds the assets New Zealand will rely on for decades. That means investing in hospitals before buildings deteriorate further, classrooms before problems become more expensive, and housing and infrastructure that support a growing economy.

Day-to-day investment must be sustainable. Capital investment must be disciplined. But failing to invest is not free. Delaying necessary work can mean higher costs for future generations, weaker productivity and worse services.

Balance the books while getting costs under control

Getting the government's books back in order should not come at the expense of jobs, incomes or essential public services.

Economic policy should be judged by what it means in people's lives. GDP, inflation, debt and the operating balance matter because they shape whether people have a decent job, can afford the basics, access the services they need and feel confident about the future.

A government can't call its fiscal policy a success if the books look better only because more people are out of work, healthcare is harder to access or essential services are run down.

Labour will make choices that strengthen both the Government's finances and improve the lives of New Zealanders.

Grow the economy by backing the people doing the work

Labour will grow the economy from the grassroots up.

The best way to improve the government's finances is to build a stronger economy. New Zealand grows when businesses have the confidence to invest, hire and expand; when people have the skills and health to participate in the economy; and when infrastructure and public services help rather than hold them back.

Labour will back productive investment, small businesses, skills, technology and infrastructure. We will invest in good jobs, affordable healthcare and lower household bills so more New Zealanders can get ahead and build their future here.

Strong public services are part of a strong economy. Affordable healthcare keeps people well and in work. Education and training build skills. Reliable transport helps people get to work and study. Housing and infrastructure give businesses and communities the foundations they need to grow.



Operating allowances

This is the envelope for day-to-day investment. Budget 2026 set the operating allowance for the forecast period at \$2.4 billion per Budget. Labour will keep those allowances.

We're not relying on a larger operating allowance. New investment must fit within these allowances, alongside cost pressures and other priorities.

That requires choices. Labour will prioritise investment that improves people's lives and lifts New Zealand's long-term productivity. Every new investment must demonstrate value for money and fit within the wider fiscal strategy.

Operating Allowances (\$m)	2027/28	2028/29	2029/30	2030/31	Total
Budget 2027	2,400	2,400	2,400	2,400	9,600
Budget 2028		2,400	2,400	2,400	7,200
Budget 2029			2,400	2,400	4,800
Budget 2030				2,400	2,400
Total	2,400	4,800	7,200	9,600	24,000

Capital investment

This is the envelope for capital investment. The capital allowances for Budget 2027 and Budget 2028 are \$3.5 billion each, and the allowance for Budget 2029 is \$5 billion. That means a total of \$12 billion in future capital allowances.

Labour's announced capital commitments are:

- ▶ \$200 million capital injection for the New Zealand Future Fund
- ▶ \$420 million for the initial student loan write-off
- ▶ \$200 million for hospitals
- ▶ \$400 million for schools
- ▶ \$2.9 billion for Kāinga Ora housing, spread over four years
- ▶ \$7 million for Ratepayer Assistance Scheme (RAS) solar expenditure

These commitments are fully provided for within the future capital allowances. They leave almost \$8 billion unallocated, preserving room to respond to changing needs and invest in high-value projects as they are ready.

Land Transport Fund

Labour will make it cheaper to get around while keeping the transport system properly funded.

We will freeze fuel tax for three years and cap weekly public transport fares at \$20 in Auckland, Wellington and Christchurch and \$10 everywhere else. Both commitments are fully funded in this Fiscal Plan.

We will provide for the fiscal impact of both policies so the National Land Transport Fund (NLTF) can continue to support the roads, public transport and other transport investment New Zealand needs. The public transport fare cap is funded by reprioritising 1% of the NLTF.

Lower transport costs should not come at the expense of the transport network. Labour will do both. We will ease pressure on household budgets and keep investing in the system people rely on.

We will manage the pressures on the Land Transport Fund through our Government Policy Statement.

Labour's election commitments

Every election commitment Labour is making is fully costed and fully funded. Together, these commitments are focused on practical, everyday fixes to get the cost of living under control.

The cost of living continues to weigh heavily on people's lives. Government should be doing everything it can, responsibly, to ease that pressure.

We won't be able to solve everything. But where government can save people money, remove an unnecessary obstacle or make something work better, we should – and we will. And every commitment we make to do that is paid for.

Table of announced policies + OPEX over the forecast period

Initiative	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Total Operating Allowances		2,400	4,800	7,200	9,600	24,000
New commitments						
Health						
Health Cost Pressures		1,400	2,840	4,390	4,390	13,020.0
Three Free GPs		297.8	464.8	483.6	503.1	1,749.3
Medicard		20.0	14.0	14.0	14.0	62.0
Clinical triage		30.0	30.0	30.0	30.0	120.0
AI in practices		4.3	5.0	5.0	5.0	19.3
Improving self care		5.0	3.0	3.0	3.0	14.0
Independent Pricing Authority		6.0	6.0	6.0	6.0	24.0
General Practice facility grants		5.0	5.0	5.0		15.0
General Practice Loans		8.0	8.0	8.0	8.0	32.0
Free Prescriptions		74.0	74.0	74.0	74.0	296.0
Maternity scans		0.0	28.6	28.6	28.6	85.8
Prevention		14.0	12.0	10.0	8.0	44.0
Education						
Student loans	19.1	297	25.2	24.8	64.3	163.1
School lunches		146.2	295.4	149.2		590.8
Education						
GST Threshold to \$80k			67.0	70.0	73.0	210.0
Low value asset write off at \$10,000		132.0	606.0	359.0	257.0	1,354.0
Environment						
Solar Saver		43.0	36.0	37.0	37.0	153.0
Jobs						
Apprenticeship Boost		21.0	64.0	69.5	71.5	226.0
Maori trades training		21.0	21.0	21.0	21.0	84.0
Start work now – operating costs	15.0	35.0				50.0
Housing						
6,000 state house build - IRRS			130.0	295.0	335.0	760.0
Undoing the IRRS/AS change	28.5	25.4	-34.2	-32.9	-31.7	-44.8

Other						
Reversing half the first tranche of cuts		196.4	196.4	196.4	196.4	786
Reversing the second tranche of cuts			392.8	392.8	392.8	1,178
Pay equity immediate pay rise for care and support - \$4	279.0	558.0	558.0	558.0	558.0	2,511
Parliamentary Budget office			3.5	3.5	3.5	10.5
KiwiSaver						
Additional ESCT			-41.0	-174.0	-317.5	-532.5
PPL top up			24.6	29.6	35.0	89.2
Government cost pressures			16.4	144.4	282.5	443.3
Future Announcements						
		182.0	262.0	262.0	262.0	968.0
Total new spending	342	3,254	6,114	7,462	7,310	24,481
Revenue						
Capital Gains Tax		-100.0	-385.0	-965.0	-1,350.0	-2,800.0
Repeal Investment Boost		-2,105.0	-1,965.0	-1,857.0	-1,772.0	-7,699.0
Reverse Tobacco Tax cut	-37.0	-82.0	-82.0	-82.0	-82.0	-365.0
Other savings		-26.0	-26.0	-24.0	-24.0	-100.0
Total new revenue	-37	-2,313	-2,458	-2,928	-3,228	-10,964
Total net spending	305	941	3,656	4,534	4,082	13,517
Unallocated space	-305	1,459	1,144	2,666	5,518	10,483

Health

Labour will invest in healthcare, so it is easier and more affordable to access, and hospitals are there when people need them.

Labour will follow the health cost-pressure track set out in the Pre-election Economic and Fiscal Update. That provides an additional \$1.4 billion from 2027/28, a further \$1.44 billion from 2028/29, and a further \$1.55 billion from 2029/30.

Together with our announced health commitments, **Labour's plan puts \$15.5 billion of additional funding for health over the forecast period.**

That funding is built into this Fiscal Plan. It will help meet rising costs while delivering Labour's plan to make healthcare easier and more affordable - including three free GP visits a year with a new Medicard, free prescriptions, free cervical screening, free maternity scans, and a job guarantee for New Zealand-trained graduate nurses.

Every dollar raised from Labour's simple, targeted Capital Gains Tax will be invested in health. The tax will only apply when someone sells a commercial property or residential investment property, and only to the gain made after 1 July 2027. Not a single dollar of gain made before that date will be taxed. The family home, farms, KiwiSaver, shares, business assets, inheritances and personal items are all exempt.

Nine out of 10 New Zealanders won't pay the tax. But every New Zealander will benefit from better-funded healthcare, including three free doctor's visits every year.

What's exempt from the tax?

The family home, farms, KiwiSaver, shares, business assets, inheritances and personal items.

Public services

Strong public services are part of a strong economy. You can't cut your way to better.

National's cuts have reduced capability across the public sector and put more pressure on the services New Zealanders rely on.

Some of those cuts are already underway and cannot simply be reversed overnight. Labour will take a responsible approach. We will reverse half of the additional cuts planned for the next Budget and fully reverse the further round of cuts forecast for the following Budget. That funding is provided for in this Fiscal Plan.

A Labour Government will still expect agencies to spend carefully, reduce unnecessary administration and deliver value for money. But repeated cuts that weaken frontline services, hollow out capability and create bigger costs later are not responsible fiscal management.



Pay equity

Labour is committed to pay equity and to paying women what they deserve.

We will reinstate pay equity legislation and provide an immediate \$4 an hour pay increase for 65,000 care and support workers. The cost of that commitment is fully funded in this Fiscal Plan.

Future pay equity settlements are different. Pay equity is determined through negotiation. It would undermine the process to announce in advance how much had been set aside for individual claims.

Future settlements will be funded responsibly through future Budgets as agreements are reached and their costs become clear. A Labour Government will be clear about how every dollar is paid for.

Small business

Small businesses are at the heart of Labour's plan to grow the economy.

New Zealand will not build a stronger economy from the top down. Growth comes from thousands of businesses investing, hiring, innovating and creating good jobs in communities across the country.

Labour will back those businesses to grow. We will help small businesses invest, get invoices paid faster, cut unnecessary paperwork, and give Kiwi firms a fairer shot at government contracts.

This is a core part of our we will grow the economy. We will back the businesses doing the work, help them grow, and build a stronger economy from the ground up. When small businesses succeed, they create jobs, strengthen local economies and boost New Zealand's productivity.

Key Fiscal Indicators

OBEGAL

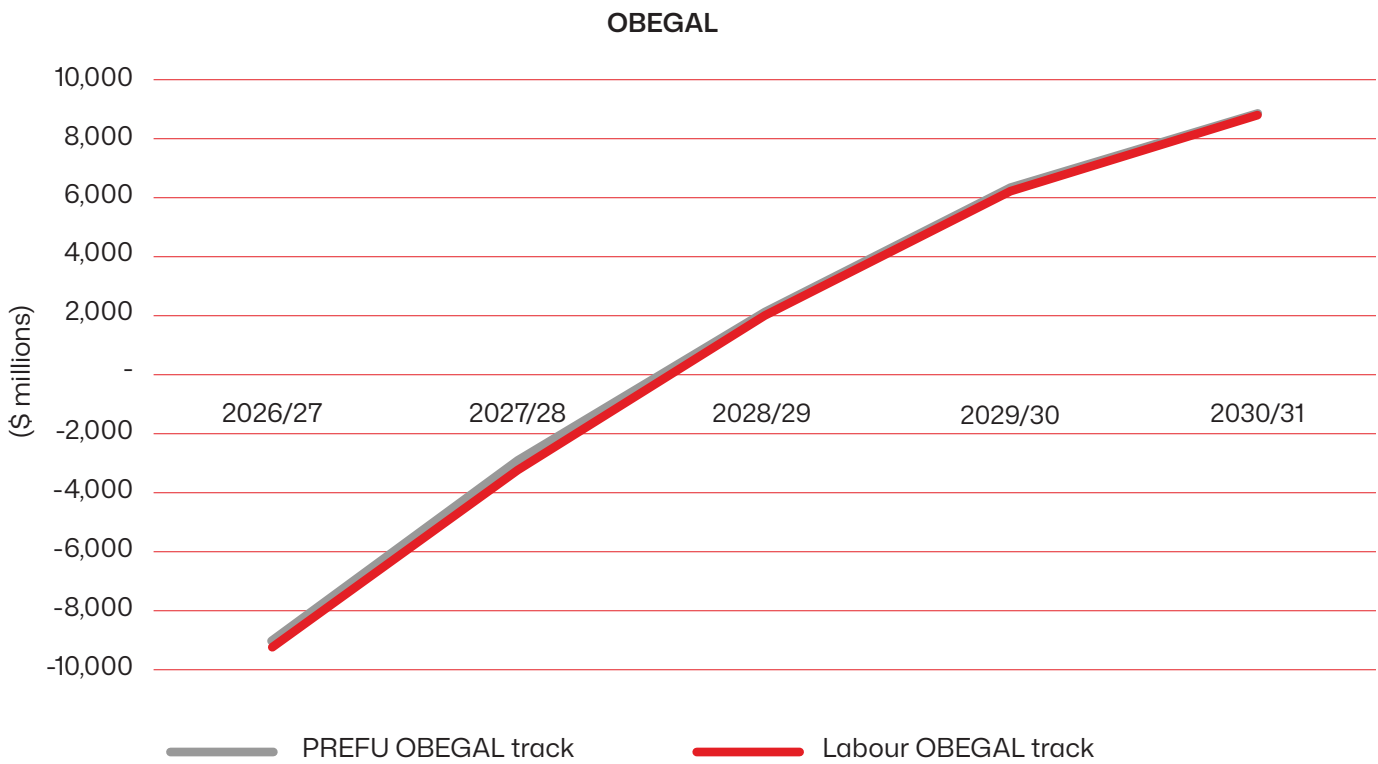
Labour will return the Government’s books to an operating surplus before gains and losses in 2028/29. Every election commitment in this plan is funded while meeting that objective.

Labour will use OBEGAL as the measure of the operating balance. It is an internationally established standard and provides a consistent basis for assessing performance over time. We will not use the OBEGALx measure created by the current Government.

Returning to surplus matters. So does paying for every promise and being clear about the choices required to get there.

We will not pursue short-term cuts that increase unemployment, weaken essential services or create greater costs in the future. We will return the books to surplus while strengthening the foundations for long-term economic growth.

Year (\$ million)	2026/27	2027/28	2028/29	2029/30	2030/31
PREFU OBEGAL track	-8,730	-2,938	2,062	6,310	8,879
Labour OBEGAL track	-9,049	-2,968	2,029	6,274	8,841



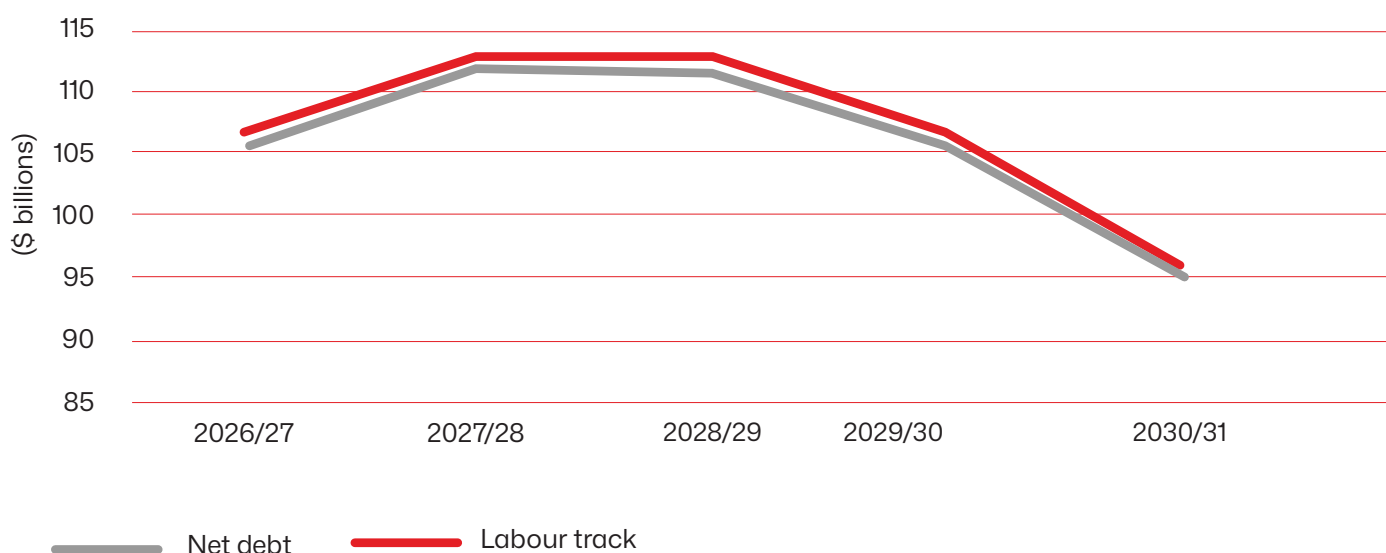
Debt

Labour will bring net debt down below 20 percent of GDP over time. Net debt gives a fuller picture of the Crown's fiscal position because it recognises both financial assets and liabilities.

Debt must be managed responsibly, but borrowing for high-value capital investment can be the sensible choice when the asset will serve New Zealanders for decades and failing to invest would leave a larger bill later.

Year (\$ billion)	2026/27	2027/28	2028/29	2029/30	2030/31
PREFU Net debt	105.751	111.974	111.514	105.583	95.298
Labour total net debt	106.490	112.743	112.316	106.421	96.174

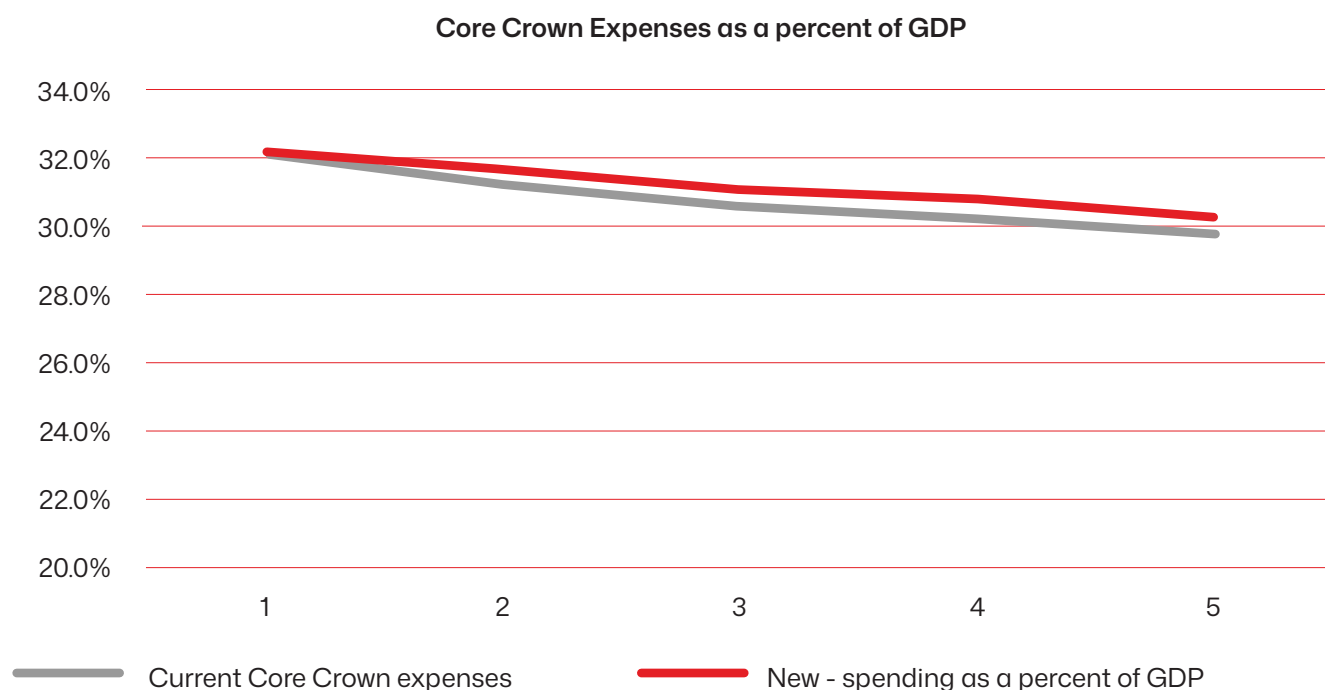
Net debt



Core Crown Expenditure and Revenue

Under Labour's fiscal strategy, our objective is to keep core Crown expenditure and revenue below 33% of GDP, when our simple, targeted capital gains tax is fully implemented.

Year (\$ million)	2026/27	2027/28	2028/29	2029/30	2030/31
Current Core Crown expenses	32.2%	31.2%	30.7%	30.3%	29.8%
New - spending as a percent of GDP	32.3%	31.7%	31.2%	30.8%	30.4%



A responsible plan for today and the future

Every election commitment Labour has made is fully costed and fully funded. We will return to surplus in 2028/29, bring net debt down over time, and keep spending and revenue sustainable.

Operating allowances stay at \$2.4 billion per Budget. Our announced capital commitments fit within the \$12 billion of future capital allowances. The numbers add up.

New Zealand doesn't have to choose between responsible finances and a better future. We can have both.

Independent Appraisal

Hall Chadwick has been commissioned by the New Zealand Labour Party to provide an independent Fiscal Review to verify that the spending and revenue commitments contained in their manifesto can be managed within the Budget allowances in PREFU. We confirm that: the estimated spending, revenue, and capital expenditure are supported by the presented and announced policy material; the estimated spending, revenue, and capital expenditure are reasonable assessments, conditional on the underpinning assumptions of each policy and commitment; and the spending and revenue commitments fall within the stated fiscal strategy.

The Fiscal Plan is based on a model. The model has been adjusted for various assumptions including Labour's published policy various cost savings and/or revenue measures. We have not reviewed unannounced policy material. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and/or transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast results in the modelling used for the Fiscal Plan and therefore our assurances relate expressly to the material we have reviewed. Future events, by their very nature, are not capable of independent substantiation, so accordingly, we, do not express any assurance on the assumptions disclosed in the Fiscal Plan.