

Labour's Hidden Bill

The \$18.2 billion gap between Labour's
spending plans and revenue intentions

Foreword by Nicola Willis
National Party Finance Spokesperson

Foreword

After a difficult few years, the economy is heading in the right direction.

Despite the uncertainty created by the conflict in the Middle East, the economy is recovering, unemployment is forecast to fall and wages are expected to rise faster than prices.

The government's books are also improving. A return to surplus is now forecast in 2028/29, a year earlier than previously expected. The debt curve is forecast to start bending down in the same year.

Now is not the time to put hard-won gains at risk with yet another ill-disciplined spending spree.

Now is the time for a responsible government that thinks not just about election day but the weeks, months and years that come after when New Zealanders must live with the consequences of election year commitments.

Although Labour has been hesitant to set out its policies publicly, it has made a range of spending commitments. They all come with a cost. New Zealanders deserve to know what those costs add up to.

This document details those costs. It is based on Labour's own announcements and public statements. In instances in which Labour hasn't specified a cost, the sources for costings are clearly set out.

The gap between Labour's spending plans and its capital gains tax is a matter of concern for every New Zealander. It is a yawning \$18.2 billion.

Kiwis have seen this movie before. It doesn't have a happy ending. That leads to more taxes and more borrowing, which is a recipe for higher inflation and more pain for both households and businesses.

Labour has repeatedly said it will announce its plans after the Budget. The Budget was more than two weeks ago. Since then, the only proposal Labour has made involves yet more poorly-costed and unfunded spending.

Labour should tell the public how it proposes to close the \$18.2 billion gap in its spending promises and what other plans, if any, it has to borrow, tax and spend.

New Zealanders deserve a government that takes its economic responsibilities seriously, not one that hides the bill.

Nicola Willis

National Party Finance Spokesperson

Summary

Labour's spending intentions so far add up to **\$21 billion** across the 2027/28 to 2030/31 forecast period. Its capital gains tax on residential and commercial property is estimated by Labour to collect **\$2.8 billion** over the same period, but every dollar that would be raised by this new tax has already been committed to new spending.

This leaves a **funding gap of \$18.2 Billion** over the forecast period. This would delay the return to surplus and **increase net core Crown debt by \$20 billion in 2030/31 (after interest costs are factored in).**

Policy	2027/28	2028/29	2029/30	2030/31	Total
Reinstate the former pay equity regime	2,959	2,672	2,670	2,670	10,971
Forego dividends of Future Fund companies	695	695	695	695	2,780
Reverse future public sector baseline savings	393	786	786	786	2,751
Reverse income-related rent changes	90	148	152	152	542
Return to locally made school lunches	61	122	122	122	427
Cap public transport fares	65	65	65	65	260
Increase health spending	409	575	965	1,350	3,299
– Free GP visits and related policies	393	553	553	548	2,047
– Free cervical screening	16	22	22	22	82
– Additional spending from CGT revenue	0	0	390	780	1,170
Total operating spending	4,672	5,063	5,455	5,840	21,030

Revenue	2027/28	2028/29	2029/30	2030/31	Total
Capital gains tax	-100	-385	-965	-1,350	-2,800
Total revenue	-100	-385	-965	-1,350	-2,800

Net Impact	2027/28	2028/29	2029/30	2030/31	Total
Net operating impact	4,572	4,678	4,490	4,490	18,230

All figures in NZ\$m.

Breakdown of spending intentions

Reinstate the Former Pay Equity Regime

In 2025, the Government legislated changes to the Equal Pay Act 1972 that tightened the threshold for pay equity claims, requiring evidence that pay discrepancies are the result of genuine sex-based discrimination. It also decided that any funding the government may choose to provide to support future non-government settlements will be considered through the normal Budget process.

What Labour has said:

- “Labour will not stop fighting until pay equity is restored and respected.” (Chris Hipkins, Labour Party Auckland Regional Conference, May 2025)
- When asked how Labour would find the money: “Yes, absolutely, we have committed to reversing those changes to the pay equity legislation that National had gone through... We’re committed to pay equity and we will find the money.” (Barbara Edmonds, RNZ, 23 May 2025)
- “Labour’s commitment to pay equity is unequivocal.” (Chris Hipkins, NZ Herald, 28 November 2025)

Policy	2027/28	2028/29	2029/30	2030/31	Total
Reinstate pay equity regime	2,959	2,672	2,670	2,670	10,971

COST (\$M)

Source: Budget 2025 Summary of Initiatives p.80

Forego Dividends of Companies in the Future Fund

Labour has said that a number of government-owned commercial companies would be put into a so-called “Future Fund” and the dividends from these companies would be kept inside the Fund to grow its size. The Fund would also receive a one-off \$200 million Crown capital injection.

Currently, dividends from state-owned enterprises and mixed ownership companies are paid into the government’s consolidated revenue account and used to fund public services. Keeping dividends within the Future Fund would therefore create a hole in core Crown revenue that needs to be recognised.

No costings have yet been released by Labour, and it has now said that details will not be revealed until after the November 2026 election. In the absence of this, the analysis below assumes that the Crown’s stake in Genesis, Mercury, Meridian, Air New Zealand and Transpower – the biggest payers of dividends to the government – would be transferred to the Future Fund and their dividends retained within it.

What Labour has said:

- Clearly our existing state-owned enterprises, mixed ownership model companies, would be at the top of the list”. (Chris Hipkins, HeraldNOW, 21 October 2025)
- “[Labour has] an idea of the sort of revenue that we could transfer into the fund as a result of transferring existing state assets” ... “I don’t think the public really care which companies are going in or not... we’re not going to be specific about [the companies that will go into the Fund]”. (Chris Hipkins, NZ Herald, 20 May 2026)

Policy	2027/28	2028/29	2029/30	2030/31	Total
Forego Future Fund dividends	695	695	695	695	2,780

COST (\$M)

Source: 2024/25 dividends from Genesis, Mercury, Meridian, Air New Zealand and Transpower, Annual Reports, adjusted for percentage Crown ownership. In addition, Labour has indicated the policy requires a one-off capital injection of \$200 million.

Reverse Future Public Sector Baseline Savings

In May 2026, the Government announced a public sector baseline savings programme as part of a wider overhaul of the public service to improve services, lift productivity and deliver better value for money.

The programme reduces baseline budgets of government agencies by 2 per cent from 2026/27, followed by 5 per cent from 2027/28 and another 5 per cent from 2028/29. These savings will be redeployed to fund additional spending on health, education, infrastructure, defence and Police.

Over the same period, the core public service workforce will be reduced back to a historic 1 per cent of the population - about 55,000 workers - through measures such as agency mergers (like the new Ministry of Cities, Environment, Regions and Transport) and increased digitisation. These reductions apply only to the core public service and do not include teachers, nurses, doctors, police or people employed by Crown entities.

Labour’s leader has consistently opposed the savings programme. Mr Hipkins has called these savings “not good news for New Zealanders” and stated that “there is no way you could reduce that many people working for our public service without reducing frontline services.”

The table below provides a costing for Labour reversing the two future 5 per cent baseline reductions but assumes Labour will retain the 2 per cent reductions being implemented from the coming financial year.

What Labour has said:

- “Cutting these roles will affect social workers, police, housing and health care, and hurt the regional economic as thousands more families struggle to make ends meet. ... Labour will make different choices.” (Chris Hipkins, Labour Party media release, 28 May 2026)

Policy	2027/28	2028/29	2029/30	2030/31	Total
Reverse baseline savings	393	786	786	786	2,751

COST (\$M)

Source: Budget 2026 Summary of Initiatives p.64

Reverse Income-Related Rent Changes

In May 2026 the Government announced changes to narrow the gap between the cost of renting in the private market and in social housing, to improve the fairness of housing support for low-income tenants.

These changes increased maximum Accommodation Supplement rates for lower-income tenants living in private housing by between \$10 and \$30 a week, and increased the minimum Income Related Rent contribution for social housing tenants from 25 per cent to 30 per cent of their income.

What Labour has said:

- Described the changes as “cruel” and will mean public housing tenants will be “driven deeper into poverty”. “This is going to be an absolute body blow to people who already can’t keep their head above water”. (Chris Hipkins, RNZ, 21 May 2026)

Policy	2027/28	2028/29	2029/30	2030/31	Total
Reverse income-related rent changes	90	148	152	152	542

COST (\$M)

Source: Budget 2026 Summary of Initiatives p.36 This analysis has been done on the basis that Labour would not reverse the increase in support via the Accommodation Supplement.

Reinstate the Previous School Lunch Programme

The Government's changes to the Healthy School Lunches Programme will deliver estimated savings of \$122 million in 2027, compared to the previous model of local provision. Labour has committed to reinstating its more expensive school lunch model, and has run a public petition campaign, "Save School Lunches", against the Government's changes.

The table below shows the additional costs of returning to Labour's model of locally made lunches.

What Labour has said:

- We are calling on Christopher Luxon to show some leadership and return to locally made lunches. (Petition on labour.org.nz, live as of June 2026)
- [Labour] would also bring back the previous Ka Ora, Ka Ako healthy school lunches programme and contract local businesses rather than a centralised provider. (Newsroom, 28 April 2024)
- "If Christopher Luxon is genuinely enthusiastic about school lunches, he should show it here at home. Bring that same energy back to Kiwi kids – and fully reinstate the programme." (Willow-Jean Prime, Labour Party media release, 7 November 2025)

Policy	2027/28	2028/29	2029/30	2030/31	Total
Return to locally made school lunches	61	122	122	122	427

COST (\$M)

Source: <https://www.beehive.govt.nz/release/healthy-school-lunch-programme-saves-more-money>

Cap Public Transport Fares

Labour has announced it would cap weekly public transport fares at \$20 in Auckland, Wellington and Christchurch, and \$10 a week everywhere else in New Zealand, from 1 July 2027. Once the weekly cap is reached, all further public transport trips that week would be free.

Labour has costed this policy at "approximately \$65 million per year", although it also says 1.36 million New Zealanders will benefit by an average of \$1,200 a year, which would make the cost be \$1.6 billion a year – raising questions about the cost of the policy, how many people will actually benefit and by how much.

It says the cost will be met from the National Land Transport Fund, which covers activities such as road improvements, maintenance and emergency works, both for state highways and local roads. Labour has not said what it would cut from the Fund in order to cover the costs of its policy.

For the purposes of this document, which takes a conservative look at the fiscal impact of Labour's promises, Labour's own figures have been used.

What Labour has said:

- "When we look at the National Land Transport Fund, what this fare cap policy will deliver is a cost of less than 1 per cent of the entire fund... Under the current GPS, there will naturally need to be a reprioritisation process that identifies where things are at and what is actually going to be delivered, and we will work through that." (Tangi Utikere, RNZ Midday Report, 10 June 2026)

Policy	2027/28	2028/29	2029/30	2030/31	Total
Cap public transport fares	65	65	65	65	260

COST (\$M)

Source: <https://www.labour.org.nz/farecap>

Increase Health Spending

Labour has committed all revenue from its capital gains tax to new health spending. In addition, it has made spending commitments that exceed this revenue in the first two years of the forecast period.

Specific health announcements from Labour include:

1. Three free GP visits per year for every New Zealanders, regardless of recipients' income and the capacity of GPs.
2. Free cervical screening for all eligible New Zealanders from October 2027.

What Labour has said:

- “Every dollar raised [from the CGT] will go straight into the health system, including funding three free doctor’s visits a year.” (Chris Hipkins, Labour Party media release, 28 October 2025)

Policy	2027/28	2028/29	2029/30	2030/31	Total
Increase health spending of which:	409	575	965	1,350	3,299
– Free GP visits and related policies	393	553	553	548	2,047
– Free cervical screening	16	22	22	22	82
- Additional spending from CGT revenue	0	0	390	780	1170

COST (\$M)

Sources and methodology: <https://www.labour.org.nz/blog-pages/growing-the-economy-and-funding-free-doctor-s-visits>, Health Policy p.11
<https://www.labour.org.nz/cervicalscreening>

Capital gains tax

Labour wants to introduce a 28 per cent capital gains tax on commercial and residential property. The tax would take effect from 1 July 2027 and would not apply to gains accrued before that date.

Several material design questions remain unanswered and Labour’s revenue spokesperson Deborah Russell has declined to confirm whether the policy goes “far enough”. The table below shows Labour’s own costings from 2025, although capital gains taxes can be very volatile and costings depend on forecasts of house price growth which have likely changed since Labour announced its policy

What Labour has said:

- “Under a government I lead there will be no wealth or capital gains tax.” (Chris Hipkins, RNZ, 12 July 2023)
- Chris Hipkins launches capital gains tax policy. (Labour Party media release, 28 October 2025)

Revenue	2027/28	2028/29	2029/30	2030/31	Total
Capital gains tax	-100	-385	-965	-1,350	-2,800

REVENUE (\$M)

Source: <https://www.labour.org.nz/blog-pages/growing-the-economy-and-funding-free-doctor-s-visits>, Tax Policy p.9

What Isn't in This Document

This document estimates the costs of Labour's spending intentions to date. It does not include the costs of reversing other policies Labour has railed about in Opposition, such as indexing benefits to CPI rather than wages, disestablishing the Māori Health Authority, scrapping the Government Investing in Decarbonising Industry fund, the cancellation of the third year Fees Free tertiary education policy, the re-introduction of prescription co-payments and changes to government KiwiSaver contributions.

Below are comments made by members of Labour's shadow Cabinet about these policy decisions.

Changes to benefit indexation

"The effects of the reversal of Labour's key change to ensure benefits rose when wages did, which the Children's Commissioner said was the best thing that could be done to lift children out of poverty, will also start to be felt." (Carmel Sepuloni, Release: Less money in most people's pockets this April, 31 March 2024)

Disestablishment of Te Aka Whai Ora (the Māori Health Authority)

"As the tide goes out, it will come in again. We will return to this initiative at an appropriate time to correct the mistakes made in this House today." (Willow Jean Prime, Hansard - New Zealand Parliament - Tuesday, 27 February 2024)

Government Investment in Decarbonising Industry (GIDI) fund

"What we achieved with GIDI is the fact that we have a steelmaker in New Zealand while we have seen a whole lot of factories close down... Any idea that this was a corporate subsidy misses the point." (Megan Woods, Energy - Carbon News, 1 April 2026)

Cancellation of third year Fees Free tertiary education policy

"We'll make decisions on what we are going to offer for the future once we see what the current government are going to do with that money instead." (Chris Hipkins, Opposition leader Chris Hipkins speaks to Ingrid Hipkiss | RNZ, 12 May 2026)

Re-introduction of prescription co-payments

"Cutting free prescriptions, rising costs of x-rays, scans, and ambulances, and thousands of job cuts are leaving the health system struggling to cope." (Ayesha Verrall Release: Luxon's cuts are making Kiwis sicker - it's time to act, 2 October, 2025)

Budget 2025 changes to KiwiSaver contributions

"Christopher Luxon's decision to cut the Government KiwiSaver contribution will steal \$66,000 from the retirement savings of an 18-year-old entering the scheme today." (Chris Hipkins, Release: The Austerity Budget that leaves women out, 22 May 2025)

Reversing any of these policy changes would further widen the gap between Labour's promises and its proposed revenue raising initiatives.