

National's plan for the government's books

Maintaining a strong set of government books matters for New Zealanders. It is essential to delivering lasting prosperity for New Zealand and is one of the most practical things a government can do for household budgets.

Spending restraint helps take pressure off inflation and keep taxes low. When government debt is at moderate levels, interest rates are lower, the cost of financing this debt is less, and New Zealand has fiscal headroom when the next earthquake, severe weather event or global economic shock hits us.

When National entered government in 2023, we inherited a very difficult set of books, with ongoing budget deficits. Over the previous six years, government spending had gone up 70 per cent, and government debt had tripled. The interest costs on this debt were rising fast, and today taxpayers are still paying the equivalent of four Dunedin Hospitals every year just to cover them.

National introduced much-needed fiscal discipline. We did so by carefully prioritising where taxpayers' money is spent, stopping spending in low-value areas and reinvesting it in the frontline services New Zealanders rely on such as hospitals and schools. In total, we have reprioritised around \$50 billion over three Budgets to invest in frontline services, rather than increasing taxes to find the revenue.

As a result of our careful economic management, independent Treasury forecasts show that overall government spending is coming down as a proportion of the economy, a return to surplus is expected soon, and after next year the government debt curve bends down rather than up.

Under a National Government, this fiscal repair will continue.

A re-elected National Government will:

- not impose new taxes
- continue investing in health, schools, law and order, roads, defence capability and other frontline services New Zealanders rely on
- reprioritise spending and show ongoing restraint so that overall government expenditure comes down towards 30 per cent of GDP
- return to surplus in 2028/29 and stay there, and
- keep government debt on a downward trajectory towards 40 per cent of GDP and maintain debt below 40 per cent of GDP over time

Operating and capital allowances

National will continue with \$2.4 billion operating allowances for future Budgets. Operating allowances are the maximum amount of net new operating funding – on average, per annum – the government intends to spend in each Budget, in areas that are under its direct control.

\$2.4 billion makes for very tight allowances, but National has shown in its three Budgets so far that it can manage within these.

In contrast, new operating spending in the previous Government's last two Budgets averaged \$7.2 billion.

National will also continue with \$3.5 billion capital allowances for Budgets 2027 and 2028, and \$5 billion capital allowances thereafter. Capital allowances are the net new one-off funding the Government intends to allocate to capital projects in each Budget.

Election commitments

The following table shows how National's election commitments fit into these operating and capital allowances.

By far the biggest commitments are in the health system. Health policies make up 88 per cent of all National's spending commitments, reflecting New Zealand's ageing population and National's focus on delivering quality health care for all.

A total of \$7.5 billion operating is left unallocated over the four years. This is to cover net new operating spending in that period, over and above the election commitments specified in the table. In addition, a total of \$14.2 billion remains to be allocated from capital allowances in future Budgets.

These unallocated amounts from the operating and capital allowances are there to cover, for example:

- any future increases in funding for education, social services and law and order
- pay rounds for teachers and police
- new investments in state highways, hospitals, school buildings, police stations, courthouses and defence capability.

National does not need to find any new funding for pay equity. A contingency for the costs of future pay equity settlements in the public sector is already in the accounts. However, Treasury estimates show that a future government seeking to reinstate the previous, more expensive pay equity regime would need to account for around \$11 billion in additional costs, over and above the contingency already set aside for the current scheme.

OPERATING	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Operating allowances (cumulative)		2,400.0	4,800.0	7,200.0	9,600.0	24,000.0
Policy commitments						
Health						
Health cost pressures from inflation, wages and demographics		1,400.0	2,840.0	4,390.0	5,940.0	14,570.0
Increase funding for Pharmac's medicines budget		151.0	151.0	151.0	151.0	604.0
Lower bowel screening age to 50		42.2	50.9	46.7	38.5	178.3
KiwiSaver						
Baby Boost payment of \$1,500 for every new-born child		90.0	90.0	90.0	90.0	360.0
Parental leave top-up from the government		20.9	26.5	34.1	40.4	121.9
Additional cost of government contributions			124.5	128.4	132.3	385.2
Pressures on the Crown as an employer			126.0	141.0	156.0	423.0
Additional ESCT received			-31.3	-164.3	-310.5	-506.1
Other spending commitments						
Reduce compulsory student loan repayment rate	296.0	32.9	24.4	15.0	4.3	372.6
Extend paid parental leave from 26 to 30 weeks		27.0	56.6	119.0	124.9	327.5
International visitor levy funding for DOC		15.4	17.9	32.9	38.9	105.1
Extend school lunch programme to 2029		111.3	225.9	114.6		451.8
Establish a dedicated Auckland Transport Police team		7.0	7.0	7.0	7.0	28.0
Double QEII National Trust funding		4.3	4.3	4.3	4.3	17.2
Election policy costings unit			1.2			1.2
Future announcements		6.3	6.3	6.3	6.3	25.2
Savings						
Reduce the foreign aid budget		-107.8	-107.8	-107.8	-107.8	-431.2
Stronger welfare expectations and case management		11.0	-149.0	-225.0	-220.0	-583.0
Total policy commitments	296.0	1,811.5	3,464.4	4,783.2	6,095.6	16,450.7
Unallocated operating allowance (cumulative)	-296.0	588.5	1,335.6	2,416.8	3,504.4	7,549.3

CAPITAL	Budget 2027	Budget 2028	Budget 2029	Budget 2030
Capital allowances (per Budget)	3,500.0	3,500.0	5,000.0	5,000.0
Capital commitments				
Fund the Belfast to Pegasus motorway and Woodend bypass	800.0			
Fund Mill Road stage one between Manukau and Alfriston		1,750.0		
Fund Mill Road stages two and three route protection	100.0			
Christchurch Hospital Tower Three	70.0			
Rolleston intermodal freight hub	50.0			
Four-laning to the Five Mile roundabout in Queenstown	25.0			
Lower bowel screening age to 50	16.5			
Unlock CAR-T cell therapy	25.0			
Establish a Home Energy Fund for household energy resilience	7.0			
Total capital commitments	1,093.5	1,750.0		
Unallocated capital allowance (per Budget)	2,406.5	1,750.0	5,000.0	5,000.0

Sources:

Pre-election Economic and Fiscal Update <https://www.treasury.govt.nz/publications/efu/pre-election-economic-and-fiscal-update-2026>

National Party 2026 election policies <https://www.national.org.nz/policies>

The only new figures are from:

- a costing of the additional revenue from employer superannuation contribution tax (ESCT), minus a reduction in income tax, that results from higher employer KiwiSaver contributions
- funding another two years of the school lunch programme
- an election policy costings unit in the year of the next general election.

Tax relief

National recognises that the last few years have been tough for New Zealand households and businesses. In 2024, the Government adjusted personal income tax thresholds for the first time in 14 years. Alongside other increases in government assistance, this delivered an additional \$60 a fortnight on average to around 1.9 million households.

But, as is always the case, inflation and wage growth mean people are paying a slightly higher proportion of their income in tax every year. The median full-time wage and salary earner, for example, is now earning \$82,000 a year, which puts them in the second-highest, 33 per cent, income tax bracket.

While National's fiscal plan shows a pathway to potential tax relief for working New Zealanders, now is not the time to cut taxes. The responsible thing to do now is reduce debt and invest in frontline services, especially health and infrastructure.

That approach means future generations are not left paying off debt. It strengthens New Zealand's resilience to global shocks and gets the balance right between economic responsibility and investing in the services people rely on.

Once the books are back in the black and surpluses are growing, a National Government will be in a position to consider tax relief. But the priority is making the forecasts a reality by delivering a return to surplus and less debt.