The Treasury

Budget 2026 Information Release

September 2026

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Cabinet

Minute of Decision

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Budget 2026: Protecting New Zealand's Future

Portfolio **Finance**

On 7 May 2026, Cabinet:

Budget 2026 Significant Initiatives Package

1 **agreed** to the following final operating and capital Budget 2026 packages, as set out in the detailed financial recommendations attached as Annexes A and B to the paper under CAB-26-SUB-0156, and as amended by Annex E where appropriate[1]:

1.1 net operating package of $2.1 billion average operating per annum;

1.2 net capital investment of $5.7 billion total capital;

2 **noted** that policy decisions to give effect to Budget 2026 initiatives are set out in the detailed financial recommendations in Annexes A and B;

Budget 2026 Technical Initiatives Package

3 **agreed** to the technical Budget initiatives for Budget 2026, as set out in the financial recommendations attached as Annex C to the paper under CAB-26-SUB-0156;

Appropriation matters

4 **agreed** that, unless indicated otherwise in the detailed financial recommendations in Annexes A and B, significant initiatives are managed against the Budget 2026 operating allowance and the Budget 2026 capital allowance;

5 **approved** changes to appropriations and/or capital injections to the administering department (where applicable) to implement the initiatives included in the detailed financial recommendations in Annexes A to C;

6 **agreed** to establish new appropriations where required to implement the Budget 2026 initiatives;

7 **agreed** to establish new tagged contingencies, and to the full or partial return of funding held in a contingency, outlined in the detailed financial recommendations in Annexes A to C;

[1] All further references to Annexes A and B are subject to the amendments in Annex E, as appropriate.

8 **noted** that Cabinet Office Circular (18) 2 *Proposals with Financial Implications and Financial Authorities* outlines that tagged contingencies cease to exist on 1 February of the year following their establishment, but that this expiry date can cause issues with the extension to the expiry dates of tagged contingencies through baseline update processes;

9 **agreed** that for tagged contingencies agreed as part of this Budget package, unless otherwise agreed in individual initiatives, the expiry date be 31 March 2027;

10 **agreed** that changes in appropriations (including the establishment of new appropriations if necessary) and/or capital injections for 2025/26 be included in the 2025/26 Supplementary Estimates and that, in the interim, the increases are met from Imprest Supply;

11 **agreed** that expenses or capital expenditure incurred against appropriations, and capital injections authorisations, set out in the 2026/27 Estimates and being sought in the Appropriation (2026/27 Estimates) Bill, be met from Imprest Supply until that Bill is enacted;

12 **authorised** the Minister of Finance and Associate Minister of Finance (Hon Chris Bishop) jointly to approve changes to appropriations to correct technical errors or inconsistencies that do not alter the intent of the agreed Budget 2026 package, including for technical Budget initiatives;

13 **agreed** that relevant appropriation Ministers be informed of any changes to appropriations approved by the Minister of Finance and Associate Minister of Finance (Hon Chris Bishop) under paragraph 12 above;

14 **agreed** that the authorisation to the Minister of Finance and Associate Minister of Finance (Hon Chris Bishop) under paragraph 12 above expires on 30 June 2026;

15 **agreed** that paragraphs 4 to 14 above give effect to the financial recommendations in Annexes A to C;

Moratorium on papers with financial implications

16 **agreed** that no papers with fiscal and/or appropriation implications be submitted for agreement by Cabinet, Cabinet Committees, or joint Ministers between 7 May 2026 and Budget Day, 28 May 2026, so that Budget 2026 documentation is accurate and complete;

Between-Budget Operating Contingency

17 **agreed** to establish a Between-Budget Operating Contingency as set out below:

$m – increase/(decrease)					
Item	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Between-Budget Operating Contingency	-	60.000	60.000	60.000	60.000

18 **agreed** that proposals for funding from the Between-Budget Operating Contingency must be for urgent issues that cannot be deferred to Budget 2027, could not have been foreseen, and cannot be funded through reprioritisation of lower-value activities;

19 **agreed** to establish a Tagged Operating Contingency as set out below:

$m – increase/(decrease)					
Item	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Conflict Response Operating Contingency	-	450.000	-	-	-

20 **agreed** that:

20.1 drawdowns for funding from the above tagged contingency must be for temporary, targeted and timely proposals in the next 12 months that alleviate the effects of the Middle East conflict;

20.2 Ministers are required to seek pre-approval from the Minister of Finance through the out-of-cycle funding process before a drawdown request is made;

20.3 the above tagged contingency will expire on 31 March 2027;

Future baseline reduction

21 **agreed** to a baseline reduction target for eligible agencies of 5 per cent from 2027/28 onwards and another 5 percent from 2028/29 onwards;

22 **agreed** that the expected savings from the above baseline reduction targets be managed against the Budget 2026 operating allowance:

$m – increase/(decrease)					
Item	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Savings from 5% baseline reduction in 2027/28 and 2028/29	-	-	(392.950)	(785.900)	(785.900)

Welfare changes

23 **agreed** to increase all maximum rates of the Accommodation Supplement by $10 to $30 per week;

24 **agreed** to reduce the maximum rate of Temporary Additional Support to reflect the above-inflation increases in main benefit rates that occurred over the last two terms of Parliament, and remove child support liability as an allowable cost;

25 **agreed** to lift the Income-Related Rent contribution rate for social housing tenants and household contribution rate for emergency housing and transitional housing tenants from 25 to 30 per cent of their income;

26 **noted** that further details relating to paragraphs 23 to 25 above are included in the financial recommendations in Annexes A and B;

Capping the donation tax credit

27 **agreed** to introduce a donation claim limit of $100,000 per annum, providing a maximum donation tax credit of $33,333, with further details in the financial recommendations in Annexes A and B;

Ending Final-Year Fees Free while increasing fees-free vocational education provision and funding

28 **agreed** to end the Final-Year Fees Free scheme at the end of the 2026 calendar year, with savings providing for increasing fees-free vocational education provision and funding as outlined in paragraph 29 below;

29 **agreed** to:

29.1 expand the number of places in Trades Academies by 10,000 by 2030;

29.2 increase Youth Guarantee places by 1,000 on an ongoing basis;

29.3 increase foundation level subsidies by 2 per cent;

30 **noted** that further details relating to paragraphs 28 and 29 above are included in Annexes A and B;

Prudential levy

31 **agreed in principle**, subject to consultation with industry which will take place following Budget Day on 28 May 2026, to implement a prudential levy on deposit takers, insurers, and financial market infrastructures, under section 294 of the Reserve Bank of New Zealand Act, with an anticipated start date of mid-2027;

32 **authorised** the Minister of Finance to make further decisions relating to a prudential levy as needed to allow consultation to take place;

33 **agreed** that Cabinet will make final policy decisions on a prudential levy after the 2026 General Election;

Monitoring and reporting

34 **authorised** the Minister of Finance to make further decisions on whether any Budget 2026 major spending, savings and revenue initiatives should be subject to additional monitoring and reporting requirements;

35 **noted** that, in September 2025, Cabinet agreed to new performance reporting requirements for funds, with the first reporting required by 31 October 2026 [ECO-25-MIN-0140];

36 **agreed** to adjust the first reporting date for the performance reporting requirements for funds to 31 October 2027;

Tagged contingencies

37 **noted** that extensions to capital tagged contingency expiry dates will only be granted in exceptional circumstances, and that funding will otherwise be returned to Budget allowances or the centre;

Legislative implications

38 **invited** the Minister of Finance to issue drafting instructions to the Parliamentary Counsel Office at the appropriate time, and introduce to the House without further reference to Cabinet, the Appropriation (2026/27 Estimates) Bill, the Appropriation (2025/26 Supplementary Estimates) Bill, the Imprest Supply (First for 2026/27) Bill and the Imprest Supply (Second for 2026/27) Bill to give effect to Budget 2026 and to support the ongoing cycle of parliamentary scrutiny over spending in the current (2025/26) and upcoming (2026/27) financial years;

39 **invited** the Minister of Finance to issue drafting instructions to the Parliamentary Counsel Office at the appropriate time and introduce to the House without further reference to Cabinet the Appropriation (2025/26 Confirmation and Validation) Bill, which will confirm and validate financial matters relating to the current 2025/26 financial year;

40 **noted** that the Minister of Revenue will seek Cabinet approval to introduce a Taxation (Budget Measures) Bill giving effect to a donation tax credit cap, taxing outstanding shareholder loans of liquidated companies, reducing non-resident contractors' tax for asset leasing in the airline industry, and Working for Families improvements;

41 **noted** that changes to fringe benefit tax rules, taxation of charities and not-for-profits, thin capitalisation rules for foreign-owned New Zealand banking groups, the Research and Development Tax Incentive, and various taxation measures to support increased investment in New Zealand will be progressed in the 2026–27 Annual Rates Taxation Bill, to be introduced in September 2026 and enacted before 1 April 2027;

42 **authorised** the Minister of Finance and the Leader of the House to agree which legislation will progress under urgency on Budget Day as Budget night legislation;

Regulatory Impact Statements

43 **noted** that, where appropriate, agencies have been directed to provide Regulatory Impact Statements for individual Budget initiatives to the relevant portfolio Minister (and for referral to the Minister of Finance and Minister for Regulation), and that these will be submitted to the Cabinet Legislation Committee prior to the relevant legislation being made or introduced and published in line with normal requirements;

Communications

44 **noted** that all communications relating to Budget 2026 are coordinated by a Budget communications committee, and that any requests for early announcement will need to both have the written approval of the Minister of Finance and sign-off from the Prime Minister's Office;

45 **authorised** the chief executives of departments that monitor Crown entities directly affected by the Budget 2026 decisions taken by Cabinet to inform the chair and/or chief executive of a Crown entity, on a Budget-sensitive-until-Budget-Day basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent and/or Statement of Performance Expectations;

Performance Plans

46 **agreed** to shift the submission of Performance Plans from June 2026 to July 2026;

Fiscal strategy

47 **agreed** to set the Budget operating allowances for Budgets 2027, 2028 and 2029 at up to $2.4 billion per annum;

48 **agreed** to set the Budget capital allowances for Budgets 2027, 2028, and 2029 at $3.5 billion, $3.5 billion, and $5.0 billion respectively;

49 **agreed** to retain the Government's fiscal strategy, as expressed in the Budget Policy Statement, which targets a return to OBEGALx surplus by 2028/29, a reduction in core Crown expenses towards 30 percent of GDP and putting net core Crown debt on a downward trajectory towards 40 percent of GDP;

50 **authorised** the Minister of Finance to make minor changes to the short-term intentions and long-term objectives in the Fiscal Strategy Report if required.

Diana Hawker
Acting Secretary of the Cabinet