Briefing for decision

Alcohol levy setting 2026/27: Aggregate expenditure figure options

Date due to MO:	7 May 2026	**Action required by:**	12 May 2026
Security level:	IN CONFIDENCE	**Reference:**	H2026082210
To:	Hon Matt Doocey, Minister for Mental Health Hon Chris Bishop, Associate Minister of Finance		
Consulted:	Health New Zealand: ☐		
Proactive release:	This **title** is proposed by the Ministry of Health for proactive release: ☒		

Contact for telephone discussion

Name	Position	Telephone
Dr Andrew Old	Deputy Director-General, Public Health Agency and Mental Health Group	9(2)(a)
Harsh Vardhan	Manager, Alcohol Harm Reduction Programme, Public Health Agency and Mental Health Group	9(2)(a)

Minister's office to complete:

☐ Noted ☐ Seen

☐ Needs change ☐ Withdrawn

☐ See Minister's Notes ☐ Overtaken by events

Comment:

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Purpose of report

1. This briefing:
   a. details two options, narrowed down from the four identified earlier [H2026079788 refers], at which to set the aggregate expenditure figure for the alcohol levy for 2026/27
   b. serves as a mechanism to document your joint agreement (Minister for Mental Health and Associate Minister of Finance) on the aggregate expenditure figure, which is required for both Parliamentary Counsel Office drafting and Cabinet approval, and
   c. attaches, for Minister for Mental Health's information and review, a draft Cabinet paper and Alcohol Levy Order. These attachments are provided to support subsequent Ministerial consultation (if required) and are not themselves subject to joint agreement.

Background

2. The annual process for setting the levies is prescribed in Schedule 6 of the Pae Ora (Healthy Futures) Act 2022 and ultimately results in differing rates across six classes of alcohol (with the classes being defined by strength of alcohol).
3. The first step, upon which all other steps are based, is for the Minister for Mental Health to agree, in concurrence with the Minister of Finance (or delegate), the aggregate expenditure figure for the coming financial year. This is the figure that you both agree in your opinion would be reasonable for the Ministry of Health to spend during that year in:
   a. addressing alcohol-related harm; and
   b. meeting its operating costs that are attributable to alcohol-related activities.
4. The figure agreed for the 2025/26 financial year was $16.62 million.
5. The draft Cabinet paper and Alcohol Levy Order 2026, which are attached for the Minister of Mental Health's review, reflect our understanding of your joint agreement to an aggregate expenditure figure of $17.135 million (Option 2 in this paper). The Parliamentary Counsel Office has drafted the Order ahead of being provided with evidence of this agreement, but this will be required before they are able to certify the Order for submission to the Executive Council.

6. The draft Cabinet paper seeks a waiver of the 28-day rule to enable the Order to come into force by 1 July. If the 28-day rule is not waived and the levy rates are not in place by 1 July 2026, the previous Order will expire and Customs and the Ministry of Health will not be able to collect levies, creating a risk for the current levy-funded programmes.

7. Agreement to the proposed option is required by 12 May 2026 to enable the draft Cabinet paper to be completed in time for the Order to come into force.

The options

Option 1: Retain the status quo ($16.62 million)

8. This option avoids an increase but does not keep pace with inflation, eroding programme reach and quality. This option is not recommended.

   Benefits: avoids perception risk of increasing costs to industry and consumers. Maintains status quo.

   Disadvantages: Erodes the real value of the levy and constrains the ability to sustain or scale proven harm-reduction initiatives.

Option 2: Maintain the real value through an inflation adjustment ($17.135 million)

9. This represents a $0.515 million increase over 2025/26 ($16.62 million), which is an allowance to retain the real value of the levy (using a CPI adjustment of 3.1 percent for the 12 months ended 31 March 2026)[1].

10. This option sustains existing programmes at their current quality and reach but does not enable expansion or scaling of proven initiatives.

    Benefits: stability and predictability for delivery partners.

    Disadvantages: does not provide additional capacity to expand proven initiatives.

Ministry's preferred option

11. The Ministry recommends option 2 and in so doing makes the following observations:

    a. Prior to a CPI adjustment when setting the 2024/25 levy, the levy had not been increased for many years. An independent review of the levy commissioned by the Ministry in 2023 highlighted that the relative purchasing power of the levy had eroded year on year resulting in reduced services to communities, limited certainty of funding for service providers, and missed opportunities to expand proven high impact programmes. We note the levy was not increased for 2025/26. A regular adjustment would reduce the need for larger irregularly timed stepped increases.

    b. Over the past two years, the Ministry of Health has strengthened governance, accountability and transparency over the alcohol levy in response to an independent

[1] **Stats NZ, Annual inflation at 3.1 percent in March 2026**

https://www.stats.govt.nz/news/annual-inflation-at-3-1-percent-in-march-2026/

review and your direction, including through a clear investment framework, defined roles with Health New Zealand, and strengthened monitoring and reporting.

Next steps

12. This brief's recommendation provides you the opportunity to confirm your joint preferred aggregate expenditure figure for the alcohol levy.

13. In anticipation of you both agreeing an aggregate expenditure figure of $17.135 million for 2026/27, a draft Cabinet paper and Alcohol Levy Order is attached for the Minister of Mental Health's review and taking forward to Ministerial consultation, if required. Ideally, consultation would be completed no later than 18 May 2026. We will undertake departmental consultation concurrently.

Recommendations

We recommend you:

	Minister for Mental Health	Associate Minister of Finance
a) **Agree** to **EITHER**:		
Option 1 (status quo): Agree to the aggregate expenditure figure for the alcohol levy for 2026/27 being set at $16.620 million.	**Yes/No**	**Yes/No**
Or		
Option 2 (CPI adjustment): Agree to the aggregate expenditure figure for the alcohol levy for 2026/27 being set at $17.135 million. *Ministry of Health's preferred option*	**Yes/No**	**Yes/No**
c) **Review** the attached draft Cabinet paper and complete Ministerial consultation, if required, no later than Monday 12 May 2026 (attached as appendix 1).	**Yes/No**	

Dr Andrew Old
Deputy Director-General
Public Health Agency and Mental Health Group
Date: 7/05/2026

Hon Matt Doocey
Minister for Mental Health
Date:

Hon Chris Bishop
Associate Minister of Finance
Date: