In Confidence

Office of the Minister for Mental Health

Chair, Cabinet Business Committee

PAE ORA (HEALTHY FUTURES) ALCOHOL LEVY ORDER 2026

Proposal

1. This paper seeks authorisation to submit the Pae Ora (Healthy Futures) Alcohol Levy Order 2026 to the Executive Council.

Background

2. The alcohol levy (the levy) is set annually under section 101 of the Pae Ora (Healthy Futures) Act 2022 (the Pae Ora Act). The levy has the statutory purpose of recovering the costs the Ministry of Health (the Ministry) incurs in addressing alcohol-related harm and other alcohol-related activities. This contrasts with alcohol excise duty, which is directed to general Crown revenue. To give a sense of relative scale, the aggregate alcohol levy collected for 2025 was approximately $16.62 million, compared with approximately $1.2 billion in alcohol excise duties.

3. The levy rates for the 2026/27 period must be in place by 1 July 2026. If the Order in Council setting the levy rates is not in place by 1 July 2026, the previous Order will expire and the New Zealand Customs Service (Customs) will not be able to collect levies on behalf of the Ministry for the 2026/27 year, creating risk for levy-funded programmes.

Policy

Determining the levy and aligning with government priorities

4. I have determined, in concurrence with the Associate Minister of Finance, to set the total recovered by the alcohol levy at $17.135 million for 2026/27.

5. This represents a $0.515 million increase over 2025/26 ($16.620 million) which maintains the real value of the levy (using a CPI adjustment of 3.1 percent for the 12 months ended 31 March 2026)[1].

6. Revenue collected from the levy will continue to be directed at government priorities for alcohol harm reduction, including:

    6.1 expansion of health workforce capacity, specifically alcohol nurses and peer support workers in hospitals,

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

6.2 strengthening screening programmes, and

6.3 fetal alcohol spectrum disorder (FASD) prevention, family and community support programmes and workforce development.

7. Overall, a greater proportion of levy funding will be directed to front-line services compared to other years.

8. Over the past two years, the Ministry has strengthened governance, accountability and transparency over the alcohol levy in response to an independent review and my direction. This includes a clearer investment framework, more defined roles and responsibilities with Health New Zealand, and strengthened monitoring and reporting arrangements.

9. Levy funding enables targeted, evidence-based interventions that reduce avoidable hospital presentations, support earlier access to care, and strengthen community responses. Maintaining the real value of the levy helps ensure these interventions remain effective and sustainable over time.

Components of the levies

10. Following Cabinet's authorisation, the breakdown of the levies payable on the six classes of alcohol products for 2026/27 will be confirmed by Order in Council. Calculation of the individual levies is a standard procedure as detailed in the Act. The calculations are based on statistics supplied annually by the New Zealand Customs Service. This is a routine process each year. Note the increases in dollars per litre, in the right-hand column.

		Amount of levy (dollars per litre)		Increase (dollars per litre)
Class of alcohol (percentage of alcohol by vol.)	Budget levy in 2026/27 ($)	2025/26 (i.e. current)	**2026/27 (i.e. this Order)**	
A (1.5% - 2.5%)	28,738	0.007890	**0.008625**	0.000735
B (2.5% - 6%)	8,315,356	0.024471	**0.026570**	0.002099
C (6%- 9%)	1,525,781	0.042078	**0.046003**	0.003925
D (9% - 14%)	4,362,559	0.052597	**0.057503**	0.004906
E (14% - 23%)	145,063	0.093323	**0.095947**	0.002624
F (more than 23%)	2,757,502	0.202587	**0.218047**	0.015460
Total	17,135,000			

11. The levy rates have a very modest impact on unit price. By way of example:

    11.1 the levy payable on a six pack of beer is currently around 5 cents (that is, less than 1 cent per 330 ml can or bottle)

    11.2 the levy payable on a bottle of wine is currently around 4 cents.

12. The Ministry estimates that the additional levy (that is, the proposed 2026/27 rates compared with the current 2025/26 rates) will have a negligible impact on alcohol prices. It is estimated the proposed levy rates for 2026/27 will add around 0.4 cents to a six-pack of beer and around 0.3 cents to a bottle of wine.

Financial Implications

Fiscally neutral

13. The levy is a hypothecated fund (directed to a specific use), and this increase is fiscally neutral as it is fully funded by an increase in third party revenue.

Appropriations

14. However, changes to appropriations are required to give effect to the policy recommendations in this paper. These are fully offset, and are therefore fiscally neutral, with no impact on the operating balance and/or net core Crown debt.

Timing and 28-day rule

15. The Order must come into effect on 1 July 2026 as per the Pae Ora Act. Due to the Budget moratorium impacting the timing of bringing this paper to Cabinet, I seek a waiver of the 28-day rule. The Order will be gazetted on 11 June 2026.

16. The Pae Ora (Healthy Futures) (Alcohol Levy) Order 2025 will be revoked by the new Order.

Compliance

17. This order complies with:

    17.1 the principles of the Treaty of Waitangi;

    17.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;

    17.3 the principles and guidelines set out in the Privacy Act 2020

    17.4 relevant international standards and obligations;

    17.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

18. Clause 2(1) of Schedule 6 to the Pae Ora Act requires the Minister of Health to act with the concurrence of the Minister of Finance to assess the aggregate expenditure figure each year. I received the Associate Minister of Finance's agreement (under

delegation from the Minister of Finance) to the aggregate expenditure figure. Therefore, this requirement has been met.

Regulations Review Committee

19. There are no anticipated grounds for the Regulations Review Committee to draw the Order to the attention of the House under Standing Order 327.

Certification by Parliamentary Counsel

20. The Order in Council is certified by the Parliamentary Counsel Office as being in order for submission to the Executive Council.

Impact Analysis

21. The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has been addressed by existing impact analysis [CAB 24-MIN-0203] and that the impacts are limited and easy to assess.

Publicity

22. The Order will be notified in the New Zealand Gazette. I intend to write to key alcohol industry groups immediately following gazettal informing them of the levy decision for 2026/27. As soon as practicable following gazettal, the levy decision will also be publicised more widely.

Proactive release

23. I intend to proactively release this paper, subject to redactions as appropriate under the Official Information Act 1982, within 30 business days of final decisions being taken by Cabinet.

Consultation

Public consultation

24. There is no requirement in the legislation for the levy rates to be consulted with industry or the public.

Agency consultation

25. Consultation has been carried out with Customs and the Treasury, consistent with the equivalent Cabinet paper in previous years.

Recommendations

I recommend that the Cabinet Business Committee:

Aggregate expenditure figure and levy rates

1. **note** that the Pae Ora (Healthy Futures) Act 2022 allows for levies to be imposed on alcohol products manufactured or imported for sale, for the purpose of enabling the Ministry to recover costs it incurs in addressing alcohol-related harm, and in other alcohol-related activities. The levy is set by Order in Council;

2. **note** that the levy rates for the 2026/27 period must be in place by 1 July 2026. If the Order in Council setting the levy rates is not in place by 1 July 2026, the previous Order will expire and Customs and the Ministry will not be able to collect levies, creating risk for the current levy-funded programmes;

3. **note** that clause 2(1) of Schedule 6 of the Pae Ora (Healthy Futures) Act 2022 requires the Minister of Health (or delegate) to act with the concurrence of the Minister of Finance (or delegate) to assess the aggregate expenditure figure each year and that this requirement has been met;

4. **note** that the Minister for Mental Health in concurrence with the Associate Minister of Finance, Hon Chris Bishop, has agreed to set the aggregate expenditure figure for 2026/27 as $17.135 million;

5. **note** the resultant rates by class of alcohol:

Class of alcohol (percentage of alcohol by vol.)	2026/27 Amount of levy ($ per litre) (i.e. this Order)
A (1.5% - 2.5%)	0.008625
B (2.5% - 6%)	0.026570
C (6%- 9%)	0.046003
D (9% - 14%)	0.057503
E (14% - 23%)	0.095947
F (more than 23%)	0.218047

Appropriations

6. **approve** the following increases in appropriations to give effect to the policy decision in recommendation 4 above, fully offset by the changes described in recommendation 8 below, and so fiscally neutral with no impact on the operating balance and/or net core Crown debt:

	$m – increase/(decrease)				
Vote Health **Minister of Health**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Non-departmental Output Expenses:					
Delivering Primary, Community, Public and Population Health Services	-	0.272	0.272	0.272	0.272
Delivering Hauora Māori services	-	0.144	0.144	0.144	0.144
Multi-category Expenses and Capital Expenditure:					
Health System Policy, Regulation and Monitoring MCA (MCA)					
Departmental Output Expenses:					
Public health and population health leadership (funded by revenue Department)	-	0.099	0.099	0.099	0.099
Total Operating	**-**	**0.515**	**0.515**	**0.515**	**0.515**

7. **agree** that the proposed change to appropriations for 2026/27 above be included in the 2026/27 Supplementary Estimates for Vote Health and that, in the interim, the increase be met from Imprest Supply;

8. **note** the existing revenue forecasts require adjusting to reflect the decision in recommendation 4 as follows:

	$m – increase/(decrease)				
Forecast Revenue: Alcohol levies	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30 & Outyears**
Existing forecast	16.620	16.620	16.620	16.620	16.620
Revised forecast	16.620	17.135	17.135	17.135	17.135
Adjustment required	-	*0.515*	*0.515*	*0.515*	*0.515*
This adjustment is comprised:					
Non-Tax Revenue	**-**	**0.416**	**0.416**	**0.416**	**0.416**
Revenue department	**-**	**0.099**	**0.099**	**0.099**	**0.099**

9. **note** that given the aggregate expenditure figure is assessed each year, the out-years in the table in Recommendation 8 above are forecast figures only;

28-day rule

10. **note** that a waiver of the 28-day rule is sought on the grounds that the Budget moratorium has prevented this paper being presented to Cabinet until after 28 May 2026;

11. **agree** to waive the 28-day rule so that the Pae Ora (Healthy Futures) (Alcohol Levy) Order 2026 will come into force on 1 July 2026;

Alcohol Levy Order

12. **authorise** the submission of the Pae Ora (Healthy Futures) (Alcohol Levy) Order 2026 to the Executive Council.

Authorised for lodgement

Hon Matt Doocey
Minister for Mental Health