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# Budget Responsibility Rules

Hon Grant Robertson, Minister of Finance

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New Zealand Government

The *2018 Fiscal Strategy Report* affirms the Government's commitment to its Budget Responsibility Rules.

The *Budget Economic and Fiscal Update* prepared independently by the Treasury shows that the Government's plans are on track to meet those rules.

Budget Responsibility Rule	Status
<b>1</b> Deliver a sustainable operating surplus across an economic cycle.	The Treasury forecasts show surpluses in the operating balance before gains and losses (OBEGAL), reaching \$7.3 billion in 2021/22 (2.1% of GDP). 
<b>2</b> Reduce the level of net core Crown debt to 20% of GDP within five years of taking office.	The Treasury forecasts net core Crown debt to reduce to 19.1% of GDP in 2021/22. 
<b>3</b> Prioritise investments to address the long-term financial and sustainability challenges facing New Zealand.	We have resumed contributions to the New Zealand Superannuation Fund and have begun work on the Independent Climate Commission and the Zero Carbon Act. Our commitments also include significant investment in regional infrastructure, particularly through the \$1 billion per year Provincial Growth Fund. 
<b>4</b> Take a prudent approach to ensure expenditure is phased, controlled, and directed to maximise its benefits. The Government will maintain its expenditure to within the recent historical range of spending to GDP ratio.	Core Crown spending has averaged around 30% of GDP for the past 20 years. The Treasury forecasts show we are staying below this – peaking at 28.5% of GDP in 2018/19. 
<b>5</b> Ensure a progressive taxation system that is fair, balanced, and promotes the long-term sustainability and productivity of the economy.	The Treasury forecasts show that reversing the previous Government's tax cuts created \$8.4 billion of fiscal headroom – almost meeting all of the operating costs of the 100-Day Plan. We have established the Tax Working Group that is investigating possible changes to make our tax system fairer and more balanced. 

The Budget Responsibility Rules also include a commitment to establish an independent body to strengthen fiscal transparency and accountability.

A public discussion document will be released in 2018 seeking views on options for an Independent Fiscal Institution and the roles it could undertake.