# MORTGAGE & PROTECTION NEWS

from Prospect Mortgage Services Ltd

# Budget Outcomes...

The **Budget**, which was heavily trailed in the weeks beforehand, set out tax increases (as much as £26bn by the 2029-30 year), with Income Tax continuing to deliver the largest contribution (aided by the ongoing freeze on thresholds).

Did all the measures flagged prior to the Budget materialise? No. Was it as bad as we were led to believe? Possibly not. And were the financial markets spooked? Not at the moment. But the forecasts continue to show it won't be plain sailing.

## Where the Tax take is spent

This was a tax-raising Budget (supposedly targeting those with the broadest shoulders), to help meet expenditure needs, such as the increased spending on Welfare, State Pension, and Health.

These elements now account for at least 49p of your Tax £, with a further 10p going to fund the payments for the interest on the National Debt (see chart). The Chancellor did also factor in a headroom of £22bn for any unforeseen circumstances, up from the £10bn safety net in the March 2025 report from the Office for Budget Responsibility (OBR).

In terms of growth, the OBR, set out that the economy would grow annually by 1.5%, on average, across the 2026-29 period.

Also, the OBR expects inflation to be around 2.5% in 2026, before returning to the Bank of England's 2% target in 2027, a year later than they forecast back in March 2025.
(Sources: HM Treasury; OBR, November 2025)

## How the Taxpayer's £ is spent

| Expenditure area | of £1 |
|---|---|
| Social Protection *(inc. Welfare & State Pension)* | 28p |
| Social Protection *(inc. Welfare & State Pension)* | 4p |
| Health | 21p |
| Interest on National Debt | 10p |
| Education | 10p |
| Defence | 6p |
| Transport | 5p |
| Public Order & Safety | 4p |
| Industry, Agriculture & Employment | 4p |

**(Source: HM Treasury, projected 2026-27 expenditure)**

# Key Budget announcements

Here are some of the main talking points that may affect you as a tax-paying individual, and as someone that owns (or is looking to own) a property. All are applicable to England, and it varies for the rest of the UK.

## Income Tax & National Insurance (NI)

The thresholds for both have been frozen for a few more years, until April 2031. This is what's called a 'fiscal drag', or 'stealth tax'.

## Salary Sacrifice

The amount that people can 'sacrifice' from their salary - thereby avoiding NI on pension contributions - will be capped at £2,000 a year from 2029. At the moment there is no limit.

## Dividend Income

From April 2027, there will be a 2% rise to the ordinary and upper tax rates on dividend income.

## Cash ISAs

The amount the under-65s can put into a Cash ISA (Individual Savings Account) will be capped at £12,000 a year, with the rest of the £20,000 annual allowance reserved for investments.

## High-Value Properties

From 2028, homes in England, worth more than £2m, will face a Council Tax surcharge of between £2,500 to £7,500.

## Landlords

The tax charged on rental income will increase by 2%, from April 2027.

## Transport

The 5p temporary cut in fuel duty on petrol and diesel will be extended again, until September 2026.

## Inheritance Tax (IHT)

The IHT threshold has also been frozen until 2031, which will bring more people into its net.

## State Pension

This will go up by 4.8% from April 2026 which is more than the current rate of inflation, due to the 'triple lock' policy.

## Two-Child Benefit Cap

This will be removed from April 2026, enabling those with three or more children, for whom it's applicable, to also receive universal or child tax credit for these children too, if they were born after 6 April 2017.

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# Market Facts

## Inflation

Annual CPI inflation figure is

**3.6%**

The Bank of England target figure is 2%.

*(Sources: Bank of England, 6 November. 2025; Office for National Statistics, CPI, 19 November 2025)*

## Property Prices

Av. annual UK Property price rose by

**1.8%**

to £272,998

*(Source: Nationwide, House Price Index, Nov. 2025)*

## Mortgage Rates

Average 2-year Fixed Rate

**4.86%**

Average 5-year Fixed Rate

**4.91%**

*(Source: moneyfactscompare.co.uk, December 2025)*

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