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## News in Review

3 December 2025

*"This Budget will bring down inflation and provide immediate relief for families"*

The Chancellor delivered her second Budget last Wednesday, which included a number of tax and spending measures, estimated to raise £26bn in taxes by 2029/30. In her opening remarks, Rachel Reeves said *"This Budget will bring down inflation and provide immediate relief for families,"* before adding that she was choosing to deliver *"a Budget for fair taxes, strong public services, and a stable economy."*

Ms Reeves confirmed the Budget will see an expansion of the buffer for meeting the government's fiscal targets, with the amount of headroom more than doubling from last year's figure of £9.9bn to £21.7bn.

Turning her attention to the Office for Budget Responsibility's (OBR's) fiscal outlook, she announced an upgrade to economic growth forecasts for this year from 1.0% to 1.5%. Growth is then expected to be 1.4% next year and 1.5% across each of the following four years. OBR calculations show CPI inflation will average 3.5% this year, tempering to 2.5% next year, although still above the Bank of England's 2% target. Inflation is then expected to reach target in 2027.

Some of the key measures announced included:

- The lifting of the two-child limit on welfare payments from next April, allowing families on Universal Credit and tax credits to receive payments for all children
- Properties in England valued at over £2m will face a new Council Tax surcharge of £2,500, with an annual levy of £7,500 owed for homes worth £5m plus, from April 2028



- A new mileage-based road tax for electric and plug-in hybrid vehicles will be introduced from 2028
- The first £2,000 of salary-sacrificed pension contributions will remain exempt from National Insurance contributions (NIC's), but any amount above that will attract both employer and employee NICs from April 2029
- The State Pension will increase by 4.8% from 6 April 2026.

And on personal taxation, key announcements included:

- From April 2026, Dividend Tax will increase by two percentage points for basic and higher rate taxpayers. From April 2027, savings and property income will follow suit
- An extension of the freeze on Income Tax and secondary NIC's thresholds until April 2031
- The annual Cash ISA allowance will be cut to £12,000 for those under 65 from April 2027, with the remaining £8,000 only permitted to be invested in stocks and shares ISAs.

Responding to the Budget, Helen Miller, Director of the Institute for Fiscal Studies (IFS) commented, *"This was a big Budget, but not in the way people were necessarily expecting. Yes, there was a big tax rise... Yes, there was an increase in 'headroom'... but there was also a sizeable increase in borrowing in the short term... To bear down on borrowing in later years and deliver that increase in 'headroom', the Chancellor is relying heavily on tax rises towards the back end of the Parliament. More borrowing for the next few years, then a sharp adjustment."*

### Retail sentiment weakens but Black Friday should provide a boost

Retail sentiment has fallen at its fastest pace in 17 years, as more firms anticipate a deterioration in trading conditions over the next quarter, according to the CBI's latest Distributive Trades Survey. Sales volumes dropped sharply in the year to November, extending a period of weakness that began in mid-2023. Retailers expect demand to stay subdued into December, with sales likely to fall again, though at a slower rate.

Ongoing weak demand and rising uncertainty ahead of the Budget prompted retailers to scale back both hiring and investment. Alpesh Paleja, Deputy Chief Economist at the CBI said, *"Retailers continue to grapple with a long spell of weak demand, as households remain cautious around day-to-day spending."*

However, as the dust settled on the Budget, Black Friday saw UK shoppers spending an average of £430 each, £91 more than last year, according to Barclays. This brings total predicted expenditure of over £10.2bn. The research shows 43% of adults sought deals, with participation being highest among Gen Z, with 76% planning to shop. Rohan Kumar, Head of Barclays Spend Insights said, *"Our historical transaction data proves that Black Friday remains a vital retail milestone... October's slowdown was potentially a signal that this year's sale will outperform 2024, after shoppers held out for discounts and deals."*

### Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

***The value of investments can go down as well as up and you may not get back the full amount you invested.  
The past is not a guide to future performance and past performance may not necessarily be repeated.  
All details are correct at time of writing (3 December 2025)***