"I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle." – Winston Churchill

After a period in which the fiscal debate has been dominated by the search for ever more revenue, there are signs that the political conversation is beginning to shift. The recognition appears to be dawning that prosperity cannot simply be taxed into existence. Governments have powers to redistribute growth, promote growth or on occasions stifle it but, ultimately, they cannot tax what the economy has failed to create.

That was the challenge facing John Healey as he delivered his first Budget as Chancellor.

He also did so against an international backdrop offering little comfort. The Middle East conflict has driven up energy costs and sustained inflationary pressures, while borrowing costs across the developed world have moved sharply higher. The UK is particularly exposed to these tremors: the Office for Budget Responsibility (OBR) now expects the Government to spend approximately £14bn more each year on debt interest than it forecast in the spring.

As a result, this was a deliberately cautious Budget. The Government rejected broad based increases in Income Tax, National Insurance and VAT, while leaving itself a projected £15bn of headroom against its fiscal rules in 2029-30. The OBR now expects growth of 1.2% this year, followed by just 1% in 2027.

A different route to growth

However, concentrating solely on the fiscal arithmetic risks missing the more interesting part of the Budget. Beneath the individual measures sits an attempt to remodel some of the machinery through which growth is created.

The most significant change may prove to be devolution. Allowing local government to retain more of the revenues generated by growth in their regions gives them a greater stake in creating it, beginning to loosen the UK's long tradition of centralisation.

Of course, there is a tension. Prosperous areas may find it easier to generate still greater prosperity, while weaker tax bases risk falling behind. The opportunity is to create local engines of growth; the danger is a continued uneven economic landscape.

The same philosophy underpins deregulation. Reducing regulatory barriers and lengthy challenges to major infrastructure development reflects an important truth: the UK does not lack capital or ideas so much as the ability, at times, to turn them into things that are actually built.

Planning reform, faster infrastructure decisions and greater encouragement of productive investment may be less visible than tax cuts, but over time they could prove more consequential. The test, however, will be implementation. Previous governments have promised their own 'bonfires of red tape', but too often these have produced more heat than light.

After years in which taxation has carried much of the focus, there appears to be an awareness that the longer-term answer lies in investment, infrastructure, entrepreneurship and productivity.

Winners, losers and the smaller print

Beneath the headline philosophically driven shift sits the customary collection of Budget measures, some welcome and others less so.

For savers, the threatened reduction in the cash ISA allowance has been abandoned.

The preservation of the existing ISA framework is sensible. Stability is valuable in long-term financial planning. The repeated redesign of successful savings vehicles can do more harm than good.

For entrepreneurs, the picture is more complicated. Business Asset Disposal Relief becomes less generous, with its lifetime limit falling from £1m to £500,000. Against that sits the proposed Founders' Relief, offering a 10% rate on qualifying lifetime gains of up to £10m. At the other end of the scale the trading allowance rises from £1,000 to £3,000.

With these changes one part of the tax system is becoming less generous to established business owners while another is being deliberately reshaped to celebrate a narrower group of high-growth founders. Whether tax reliefs themselves create entrepreneurs is debatable, but the direction of travel matters: countries compete for founders and capital just as surely as businesses compete for customers.

Elsewhere, high streets receive further relief. The threshold for Small Business Rate Relief for relevant retail, hospitality and leisure businesses rises from £12,000 to £18,000, which the Government says will remove around another 70,000 businesses from business rates altogether.

Banks find themselves on the other side of the ledger. The Bank Corporation Tax Surcharge rises temporarily by 3% for 15 months from January 2027, funding some of the Government's immediate energy support. This was less onerous than expected, although the door is left open to further taxation in the future.

Households receive some respite. The temporary VAT reduction on electricity is extended to July 2027, alongside a £100 payment for up to 20 million households in council-tax bands A to D in England. Reforms to standing charges on gas supplies are also planned.

Individually, many of these measures are modest. Collectively, they reveal a Chancellor trying to offer what he repeatedly described as "breathing space" without reopening the much larger question of broad-based taxation or frightening the deficit horses. Looking longer term, we will have a better understanding when we have sight of Andy Burnham's 10-year strategy, the Milburn Review and Spending Review.

The value of leaving things alone

Although budgets are usually judged by what Chancellors change, what they leave alone can matter almost as much.

Repeated speculation around tax has a cost of its own. Businesses delay investment, families reconsider plans and capital waits for greater certainty. Over time, hesitation becomes a drag on confidence.

Capital is mobile, and increasingly so are entrepreneurs, professionals and families. A regime that is understood and durable can be more attractive than one that is superficially generous but perpetually shifting. The welcome point is that after years of fiscal uncertainty, the UK could benefit from something rather unfashionable: consistency, patience and the confidence to let good policy endure.

What might this mean for investors and savers?

The opportunity is to use the rules intelligently: making better use of allowances, thinking carefully about where assets are held and considering wealth across families as a whole.

Make use of the wrappers already available

From April 2027, savings interest and rental income from property will be taxed at even higher rates than income from employment. The total additional tax rate will take rates to 24%, 44% and 49%. However, for Scottish taxpayers, this will only apply to savings income as property income is subject to the Scottish rate of income tax.

This makes the use of ISAs, pensions and other allowances increasingly valuable. Dividend tax rates remain unchanged.

Construct portfolios with purpose

Higher yields have restored a meaningful role for cash and high-quality fixed income. For some investors, low coupon gilts can also offer attractive after-tax returns when setting aside capital for known future needs.

Cash provides liquidity, bonds can bring greater certainty, and equities remain an important engine of long-term growth. The key lies in bringing them together, matching more predictable assets to nearer-term needs while giving growth capital time to compound.

Today's higher yields are an opportunity to construct portfolios more intelligently around the different roles capital plays in a financial plan.

Business owners should pay particular attention to timing

The reduction in the Business Asset Disposal Relief lifetime limit to £500,000 makes planning around business exits increasingly important, while the new Founders' Relief creates a potentially significant counterpoint for qualifying entrepreneurs.

Above all, resist the temptation to respond to every Budget headline

The geopolitical environment is uncertain, markets are adjusting to higher borrowing costs, and the UK tax system continues to evolve.

None of those things makes prediction any easier.

For most long-term investors, diversification, intelligent use of tax allowances and a portfolio constructed around their objectives remain more valuable than trying to position for every political announcement.

For all its apparent dullness, Healey's Budget suggests that there may have been some recognition of the message behind Churchill's bucket. The question is not whether the UK needs a bigger bucket, but whether we can stop trying to lift it by the tax handle. Prosperity will ultimately depend on strengthening the economy beneath it.

The ultimate test will be whether our current and future fiscal measures will match the welfare ambitions of the current government whilst giving the economy the opportunity to grow in real terms. This "do no harm" Budget gives us breathing space but has not yet answered this important question.

This document is a Financial Promotion for UK regulatory purposes and is directed only at investors resident in the United Kingdom.

This document does not constitute investment advice or a recommendation.

Past performance is not a reliable indicator of future performance. The value of investments, and the income from them, may go down as well as up, so you could get back less than you invested.

This material has been issued and approved in the UK by James Hambro & Partners LLP, which is authorised and regulated by the Financial Conduct Authority and is a registered investment adviser of the Securities and Exchange Commission. It is listed in the Financial Services Register with reference number 513246. James Hambro & Partners LLP is a limited liability partnership registered in England & Wales with number OC350134 and registered office at 45 Pall Mall, London SW1Y 5JG. A list of members is available on request. The registered mark James Hambro ® is the property of Mr J D Hambro and is used under licence.