

2 June 2025



Department for Culture Media and Sport
Consultation on financial thresholds in
charity law

Response from ICAS

Department for Culture Media and Support

Financial thresholds in charity law

This response was submitted to DCMS via an online survey.

Question 1. Do you have any views on the government's commitment to review financial thresholds at least every 10 years?

Response

We agree that the financial thresholds arising from the Charities Act 2011 and related regulations should be reviewed at least every 10 years. We welcome that flexibility is being considered as it may be appropriate to review the financial thresholds within a shorter timescale, for example, due to a period of high inflation.

Question 2. Do you have any comments about the principles or options considered in this consultation?

Response

We are content with the principles and options considered in the consultation.

Question 3

Threshold 1 - The gross income threshold under which a charity is not required to register with the Charity Commission (£5,000)

Threshold 2 - the threshold above which charities are required to register regardless of any secondary legislation or order of the Charity Commission excepting charities from registration (£100,000)

Threshold 3 - the threshold above which charities are required to state that they are a registered charity in all official publications (£10,000)

Question 3A. Should these thresholds (Thresholds 1-3) be maintained at this time?

Response

Yes.

Question 3B. Please explain why this is your preferred option.

We believe that in principle organisations operating as charities should operate within the same regulatory framework, and should be accountable and transparent about their activities and finances. However, we accept that it is pragmatic to provide some concessions for smaller charitable organisations.

Question 4

The gross annual income threshold above which registered charities are required to prepare an annual return

Question 4A. Should the threshold remain at £10,000?

- Yes, it should remain at £10,000 (Option A)
- No, increase the option in line with inflation to £20,000 (Option B)
- None of the above

Response

Yes. (Option A)

Question 4B. Please explain why this is your preferred option.

We believe that charitable status brings with it the obligation to be accountable and transparent, so we are cautious about this proposed increase and do not support an increase in this threshold at this time.

Question 5

The gross annual income threshold over which a copy of charity annual reports must be sent to the Charity Commission

Question 5A. Should the threshold remain at £25,000?

- Yes, it should remain at £25,000 (Option A)
- No, increase the threshold in line with inflation to £40,000 (Option B)
- No, increase the threshold to £30,000 (Option C)
- None of the above

Response

No, increase the threshold in line with inflation (Option B)

Question 5B. Please explain why this is your preferred option.

Response

We believe that charitable status brings with it the obligation to be accountable and transparent, so we are cautious in supporting an increase in the threshold for sending an annual report and accounts to the Charity Commission.

However, we support an inflationary increase in the independent examination threshold, and it makes sense to keep the requirement to file an annual report and accounts aligned with the requirement to receive an independent examination.

This means that the requirement to prepare and submit an annual return will be vital in ensuring that charities not filing an annual report and accounts are able to demonstrate that they are providing public benefit and that the charity's trustees' are managing its finances appropriately.

Charities not required to file an annual report and accounts should also be asked to declare that they have prepared these documents in the annual return.

Question 6

The gross annual income threshold over which charity accounts must be examined by an independent examiner.

Question 6A: Which option do you think the threshold should be set at?

- Keep the threshold at £25,000 (Option A)
- Raise the threshold in line with inflation to £40,000 (Option B)
- Raise the threshold to £30,000 (Option C)
- None of the above

Response

Raise the threshold in line with inflation to £40,000 (Option B).

Question 6B. Please explain why this is your preferred option

We believe it is appropriate to increase the independent examination threshold in line with inflation to ensure that the external scrutiny regime for charities under charity law remains proportionate to a charity's size and the sophistication of its operations.

Question 6C. Do you have any specific comments or evidence about the cost and availability of independent examiners?

Response

We do not have any specific evidence to offer about the cost and availability of charity independent examiners in England and Wales. However, we have heard anecdotally that charities in England and Wales are finding it increasingly difficult to find an independent examiner or auditor. An increase in the independent examination threshold is likely to make it easier for those charities who rely on volunteer independent examiners to find someone suitable, by reducing demand.

Question 7.

The gross annual income threshold over which certain qualification requirements to be an independent examiner apply.

Question 7A. Which option do you think the threshold should be set at?

- Keep the threshold at £250,000 (Option A)
- Raise the threshold in line with inflation to £400,000 (Option B)
- Raise the threshold to £300,000 (Option C)
- None of the above

Response

None of the above.

Question 7B. Please explain why this is your preferred option

Response

We agree that someone who is not a qualified independent examiner under the Charities (Accounts and Reports) Regulations 2008, but meets the other criteria for being appointed as an independent examiner to a charity, should be able to examine receipts and payments accounts.

However, ICAS takes the view that anyone independently examining the accounts of a charity prepared in accordance with the Charities SORP must be an independent examiner who is qualified as defined in charity law. As charitable companies must prepare true and fair accounts, we believe all charitable company accounts should be independently examined by a qualified independent examiner. This is the approach taken in Scotland by the Charities Accounts (Scotland) Regulations 2006.

Charities preparing true and fair accounts in accordance with FRS 102 and the Charities SORP may need to cope with complex accounting requirements in some areas, particularly in view of changes to accounting requirements arising from the Financial Reporting Council's latest *Periodic review of UK GAAP*. The changes to accounting for income from contracts with customers and to accounting for leases which are due to be implemented for periods commencing on or after 1 January 2026 introduce a further degree of complexity for charities relative to other organisations of a similar size. Having a qualified examiner may help charities, particularly those with limited in-house accounting expertise, to understand the accounting requirements and prepare accounts which comply with the Charities SORP.

Question 7C. Do you have any specific comments or evidence about the cost or availability of qualified independent examiners who meet the criteria laid out in the 2011 Act?

Response

We have no specific evidence to offer about the cost or availability of qualified independent examiners in England and Wales. However, if a change was made to permit only qualified independent examiners to examine true and fair accounts and if the charity audit threshold was increased in line with inflation, these combined changes might create some additional capacity and appetite within firms to take on additional independent examination engagements. For example, firms currently providing charity audit and independent examination services could have more capacity to take on charity independent examinations, while accountancy practices providing independent examination services only, might see this as an opportunity to take on additional engagements.

Question 8

The gross annual income threshold under which a charity may prepare receipts and payments accounts instead of accruals accounts

Question 8A. Which option do you think the threshold should be set at?

- Keep the threshold at £250,000 (Option A)
- Raise the threshold in line with inflation to £400,000 (Option B)
- Raise the threshold to £300,000 (Option C)
- None of the above

Response

Raise the threshold in line with inflation to £400,000 (Option B)

Question 8B. Please explain why this is your preferred option

Response

We believe that an inflationary increase in the threshold for preparing receipts and payments accounts is the most proportionate option proposed.

Charities preparing true and fair accounts do not have access to the same concessions available to small companies, including micro-entities, of a similar size. The requirements of FRS 102 and, following on from that, proposed updated requirements set out in the current Charities SORP consultation draft, are becoming increasingly onerous for charities who may not have access to an appropriate level of accountancy expertise. An increase in the receipts and payments threshold would ease the overall burden on the sector and make life easier for individual non-company charities.

However, if an increase to this threshold is delayed beyond accounting periods commencing on or after 1 January 2026, non-company charities between the current and any revised threshold will not receive the full benefits of this increase. It is likely that some non-company charities within this band will already be using resources to prepare for compliance with the revised FRS 102 and Charities SORP, so a swift decision by government on increasing this threshold is desirable.

Alongside an increase in the receipts and payments accounts threshold, we would recommend that the receipts and payments accounts framework is reviewed by DCMS to ensure that it remains up to date and fit for purpose.

We'd also like to take this opportunity to call for the Charities (Annual Reports and Accounts) Regulations 2008 to be updated to refer to the Charities SORP 2026, or, preferably, to be edition neutral when referring to the Charities SORP. The Regulations still refer to the Charities SORP 2005,

an edition that predates the implementation of new UK GAAP, including the introduction of FRS 102 as the main UK accounting standard. It is not a satisfactory position for the 2008 Regulations to be so out of date that charities preparing true and fair accounts have had to override this aspect of the Regulations for a decade. A change to the 2008 Regulations which was edition neutral in relation to the Charities SORP would prevent this situation recurring.

Question 9

The gross annual income threshold over which account auditing requirements apply.

Question 9A. Which option do you think the threshold should be set at?

- Keep the threshold at £1,000,000 (Option A)
- Raise the threshold in line with inflation to £1,500,000 (Option B)
- Raise the threshold to £1,200,000 (Option C)
- None of the above

Response

Raise the threshold in line with inflation to £1,500,000 (Option B)

Question 9B. Please explain why this is your preferred option

Response

We believe an inflationary increase in the audit threshold would contribute to a more proportionate external scrutiny regime for charities in England and Wales.

Inflation has an impact on the sophistication of charities caught by financial thresholds, so increasing the audit threshold in line with inflation reverses any regulatory creep.

We also note that auditing standards are becoming increasingly complex and therefore onerous to apply to charities below the recently increased company law audit threshold. We believe that the complexity of modern auditing standards and the differential between charity and company audit thresholds are compelling reasons to review and update the charity audit threshold regularly.

Question 9C. Do you have any specific comments or evidence about the cost or availability of statutory auditors?

Response

We have recently responded to the FRC's call for evidence for its SME Market Study. In our response, we set out some of the challenges charities and their auditors experience in relation to audit services. Our response to the call for evidence has been published on our website (icas.com). [Response shared with DCMS]

We also prepared evidence for OSCR (the Office of the Scottish Charity Regulator) on the case of increasing the Scottish charity law threshold. This evidence was shared with the Scottish government. Our campaign for an increase in Scotland has been successful and we await the details of when the increase will be implemented. While our evidence is Scotland focussed, we do set out in some detail how auditing standards have evolved in the UK since 2006. Our commentary on this topic is relevant to charities in England and Wales. The evidence has been published on our website, and our commentary on auditing standards starts at page 10. [Response shared with DCMS]

Question 10

The value of assets over which account auditing requirements apply.

Question 10A. Which option do you think the threshold should be set at?

- Keep the threshold at £3,260,000 (Option A)
- Raise the threshold in line with inflation to £5,000,000 (Option B)
- Raise the threshold to £4,000,000 (Option C)
- None of the above

Response

Raise the threshold in line with inflation to £5,000,000 (Option B).

Question 10B: Please explain why this is your preferred option

Response

We believe an inflationary increase in the assets criterion of the audit threshold would contribute to a more proportionate external scrutiny regime for charities in England and Wales.

The assets criterion, when it was first raised to £3,260,000, aligned with the company law balance sheet criterion (i.e. gross assets). While we are not suggesting the asset criterion of the charity law threshold should increase to align with the current company law threshold of £7,500,000, an inflationary increase to £5,000,000 would reduce the differential which now exists.

The assets criteria for an audit applies when a charity has gross income of over £250,000. The consultation does not propose an inflation related increase to this aspect of the audit threshold. We recommend that consideration be given to increasing this in line with inflation too.

Question 11

The gross aggregate income of a charity group over which the requirement to prepare group accounts applies.

Question 11A. Which option do you think the threshold should be set at?

- Keep the threshold at £1,000,000 (Option A)
- Raise the threshold in line with inflation to £1,500,000 (Option B)
- Raise the threshold to £1,200,000 (Option C)
- None of the above

Response

Raise the threshold in line with inflation to £1,500,000 (Option B).

Question 11B: Please explain why this is your preferred option

Response

We believe it is important to keep the group accounts threshold aligned with the gross income criterion of the audit threshold. In our view, it is appropriate for group accounts to be subject to audit and not to fall within the independent examination regime, given the additional complexity involved in their preparation. However, we note that on the rare occasions group accounts are prepared on a voluntary basis these would be eligible for independent examination.

Question 12

The gross aggregate income of a charity group over which audit requirements apply.

Question 12A. Which option do you think the threshold should be set at?

- Keep the threshold at £1,000,000 (Option A)
- Raise the threshold in line with inflation to £1,500,000 (Option B)
- Raise the threshold to £1,200,000 (Option C)
- None of the above

Response

Raise the threshold in line with inflation to £1,500,000 (Option B)

Question 12B. Please explain why this is your preferred option.

Response

As set out in our response to question 11B, we believe that group accounts should be subject to audit rather than independent examination and note that on the rare occasions group accounts are prepared on a voluntary basis these would be eligible for independent examination.

Question 13

The remuneration threshold above which an individual is considered a professional fundraiser

13A: Should the threshold increase to £15/£1,500?

- Yes, it should increase to £15/£1,500 (Option B)
- No, it should remain at £10/£1,000 (Option A)
- None of the above

Response

No response to be submitted.

Question 13B. Please explain why this is your preferred option

Response

We have no comments to make on this question.

Question 14

Remuneration thresholds under which lower-paid collectors will be excluded from certain solicitation requirements

Question 14A: Should the threshold increase to £15/£1,500?

- Yes, it should increase to £15/£15,00 (Option B)
- No, it should remain at £10/£1,000 (Option A)
- None of the above

Response

No response submitted.

Question 14B: Please explain why this is your preferred option

Response

We have no comments to make on this question.

Question15

The donation threshold above which donors are entitled to request a refund in certain circumstances

Question15A. Should the threshold increase to £150?

- Yes, it should increase to £150 (Option B)
- No, it should remain at £100 (Option A)
- None of the above

Response

No response submitted.

Question 15B. Please explain why this is your preferred option

Response

We have no comments to make on this question.

Question 16

The gross annual income threshold below which the Charity Commission has concurrent jurisdiction with the High Court

Question16A Should the threshold be raised to £1,000?

- Yes, it should be raised to £1,000 (Option B)
- No, it should remain at £500 (Option A)
- None of the above

Response

No response submitted.

Question16B. Please explain why this is your preferred option

Response

We have no comments to make on this question.

Question 17

The maximum payment that can be received as consideration for releasing a rent charge, under which costs incurred by a charity in connection with proving its title to the rent charge are recoverable from the person in whose favour the rent charge is to be released

Question 17A Should the maximum payment threshold remain at £1,000?

- Yes, it should remain at £1,000 (Option A)
- No, increase the threshold in line with inflation to £1,500 (Option B)
- None of the above

Response

No response submitted.

Question 17B. Please explain why this is your preferred option

Response

We have no comments on this question.

Question 18

Thresholds amended by, or inserted into the Charities Act 2011, by the Charities Act 2022

Question 18A. Should these thresholds(Thresholds 18-21) be maintained at this time?

- Yes
- No

Response

No response submitted.

Question 18B. Please explain why this is your preferred option

Response

We have no comments on this question.



CA House, 21 Haymarket Yards, Edinburgh, UK, EH12 5BH
+44 (0) 131 347 0100
connect@icas.com
icas.com

 @ICASaccounting

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