



FINANCIAL THRESHOLDS IN CHARITY LAW

Issued 12 June 2025

ICAEW welcomes the opportunity to comment on the Financial Thresholds in Charity Law consultation published by Department for Culture Media and Sport on 3 April 2025, a copy of which is available from this [link](#).

We are pleased that government is consulting on increasing the thresholds as we believe that some of them, particularly the threshold for audit, are causing substantial challenges for the sector.

Adjusting thresholds periodically for inflation in essence maintains the practical impact of the thresholds over time and we believe that there would need to be a good policy reason not to do this as a minimum.

We recommend that some of the thresholds should have additional tests applied so that they would, for instance, only apply if met for two out of three years.

The government has a policy to reduce regulatory burdens and increase economic growth and we believe that it should consider increasing some of the thresholds above inflation, for instance where this would simplify the regime by consolidating thresholds.

This ICAEW response of 12 June 2025 reflects consultation with our Charity Committee which includes members from leading firms providing audit and independent examination services to the sector and members working in, or volunteering for, charities, large and small.

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KEY POINTS

1. We are pleased that government is consulting on increasing the thresholds as we have previously called for a review, particularly of the threshold for audit, as noted in our article [ICAEW pushes for charity audit threshold consultation | ICAEW](#). We believe that the current level of this threshold is still causing challenges for the sector as regards cost and availability.
2. The Law Commission report on [Technical Issues in Charity Law](#) that prompted this initiative highlighted many of the difficulties involved in setting thresholds and adapting them appropriately over time. It also noted, in effect, that financial thresholds are somewhat arbitrary in nature and we agree with this; they are at best a blunt tool.
3. As a result, we believe that a priority for setting thresholds should be to make them simple to understand and apply. Using round figures for the adjusted thresholds is a minor example of good practice in that context which we are pleased to see being adopted in the consultation.
4. Adjusting thresholds periodically for inflation in essence maintains the practical impact of the thresholds over time and we believe that there would need to be a good policy reason not to do this as a minimum. The government has a policy to reduce regulatory burdens and increase economic growth, and we believe that it should consider increasing some of the thresholds above inflation, for instance where this would simplify the regime by consolidating thresholds or in anticipation of inflation over the next few years.
5. Alternatives to the proposed 10-year review of the thresholds include having automatic inflationary increases, say bi-annually, or reviews in a shorter timeframe, say every five years. Each has its attractions and potential disadvantages, and, on balance, we do not think 10 years is unreasonable on the assumption that government would review sooner if there was a pressing need to do so, for example if compounded inflation over, say, 5 years, exceeds a specified amount.
6. There is an important point for government to consider that is not raised in the consultation, namely that the thresholds for audit and independent examination are, under the Charities Act 2011, to be determined by reference to a single financial period of a charity. This is inconsistent with the approach adopted for statutory audit in the Companies Act where the relevant thresholds need to be met in 2 out of 3 consecutive years. The requirement causes considerable practical problems for charities (and associated costs), for example:
 - where a charity receives an unusually large legacy in one year pushing it unexpectedly over the threshold, possibly late in the year, when the following year it is unlikely to meet the threshold again;
 - Multi-year grants received where the entity thinks it can defer to subsequent years but actually it should recognise all up front and might only realise this at the point of its audit/independent examination when it receives third party professional advice; and
 - gifts in kind, especially in the context of bringing below-market value leases on to the balance sheet and the associated donation into the SoFA.

We recommend that government consider changing the requirements on this, even if primary legislation would be required to do so.
7. The government acknowledges that the consultation is limited in scope and has identified only a limited number of options for responses. This is expedient given the pressing need to update at least some of the thresholds, but there is a case for a more wide-reaching review to consider how the regulatory regime in which charities operate could be simplified and regulatory burdens reduced, especially for small charities. We hope that government will consider this as part of its longer-term regulatory reform initiatives, and we would be happy to participate in relevant discussions.

ANSWERS TO SPECIFIC QUESTIONS

[Note – **yellow highlighting** used to highlight which of the various options we think best applies.]

Q1. Commitment to review. Do you have any views on the government's commitment to review financial thresholds at least every 10 years?

8. We agree that the thresholds should be reviewed at least once every 10 years. We suggest that government should review sooner if there is a good reason to do so, for example if compounded inflation over, say, 5 years exceeds current expectations on which the revised thresholds are set.

Q2. Consultation principles. Do you have any comments about the principles or options considered in this consultation?

9. We note that this consultation has been issued separately from the ongoing consultation on the Charities SORP issued by the SORP-Making Body, but that there is common ground between the two. It would have been preferable if the issues could have been considered on a holistic basis, for instance, in a single consultation covering all the thresholds or with options in each taking into account options in the other.
10. The proposals are limited in scope and do not include, for instance, removing thresholds altogether. We appreciate that this may make it easier for government to reach conclusions and enact the changes relatively quickly (for example, through secondary rather than primary legislation) and we agree that this needs to be done.
11. Nevertheless, we believe that a fuller review of thresholds impacting the sector is required in future. We have received extensive and consistent feedback from charities and accountancy firms that the current regime is overly complex and that many charities struggle to understand which thresholds apply, in part because the underlying logic for them is unclear. The challenges impact smaller charities relatively more than large ones that may have dedicated compliance resource to better enable them to navigate the regulatory environment. We note that 92% of registered charities have under £500,000 income and are less likely to have dedicated compliance resource and that within this range there are significant variations in reporting and scrutiny requirements depending on their legal status, income and gross assets.
12. One example of this complexity (which is beyond the scope of the current consultation) relates to the differing thresholds for audit, applied in different parts of the UK. While we respect the rights accorded to each jurisdiction through devolution, it is nevertheless challenging for a charity with operations in, say, England and Scotland, to navigate the differing requirements and unhelpful that consultations by the governments on the respective thresholds have been held separately. There is also a risk of jurisdictional arbitrage that can only be properly assessed and addressed through a consolidated approach. We would therefore urge the respective governments to work together and seek to align thresholds where possible.

Q3. Thresholds 1-3 - thresholds relating to the registration of charities.**3A: Should these thresholds (Thresholds 1-3) be maintained at this time?**

Yes (Option A)

No (Option B)

13. We understand that retaining the current thresholds may be expedient and in light of our introductory comments do not object to their retention but wished to record our concerns below.

3B: Please explain why this is your preferred option

14. Increasing the thresholds for registering charities (threshold 1) and for requiring charities to state their status in official publications (threshold 2) for inflation would have maintained the practical impact of the thresholds over time and we do not find the explanations given for not doing so compelling.

15. Other options, beyond the scope of the consultation, include requiring all charities to be registered regardless of size or legal form, and to state that they are registered in publications. This would simplify the regime and perhaps increase public understanding and confidence in the sector. We understand that this is already the position in Scotland [link].

Q4. Threshold 4 - the gross annual income threshold above which registered charities are required to prepare an annual return

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

Yes, it should remain at £10,000 (Option A)

No, increase the threshold in line with inflation to £20,000 (Option B)

None of the above

4B: Please explain why this is your preferred option

16. We believe that the threshold should at least be raised in line with inflation in keeping with our introductory comments (Option B) and should perhaps be increased beyond that level.
17. We are aware that many charities required to submit the return, especially relatively small ones staffed by volunteers, struggle to understand some of the questions or how they should best respond to them and often rely on support from their accountants or other professionals. Leaving the threshold as £10,000 will disproportionately increase the aggregate compliance burdens for small charities.
18. The appropriate level for this threshold cannot be divorced from consideration of the information required for the annual return and what the value of that information has for users. For example, if the return could be shortened and simplified retaining the £10,000 threshold or requiring all charities to submit a return might be justified.
19. Given what we consider to be the somewhat arbitrary nature of this threshold and concerns we have about the nature of the annual return, we hesitate to suggest an alternative figure. However, if the threshold for submitting annual reports (threshold 5) is to be retained, consolidating the two would be a step towards simplification (although it would result in an increase of this threshold 4 considerably in excess of inflation).

Q5. Threshold 5 - the gross annual income threshold over which a copy of charity annual reports must be sent to the Charity Commission.

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

5B: Please explain why this is your preferred option

20. We believe that all charities should be required to file their annual reports with the Charity Commission. All charities should prepare them anyhow and sending reports by e-mail or other electronic means should be easy and cost next to nothing if implemented efficiently. CIOs and charitable companies are already required to file (with the Charity Commission or Companies House), so that this would create a level playing field for other forms of charities and simplify the regime. If the reports were to provide information that is otherwise sought in the annual return, requiring them to be filed might also provide scope to simplify the annual return – see Q4 above.
21. We understand that lowering/removing this threshold is outside the scope of options being considered. If a threshold is to be retained, we believe that it should be kept at the same level as the threshold for independent examination (threshold 6) to avoid creating more threshold levels and because the accounts that are filed will then have at least undergone a limited independent scrutiny. In that case, we would support Option B above and the same for threshold 6 (£40,000) in keeping with our introductory comments.

Q6. Threshold 6 - the gross annual income threshold over which charity accounts must be examined by an independent examiner.

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

6B: Please explain why this is your preferred option

22. This is in keeping with our introductory comments regarding raising the thresholds in line with inflation. It is the sort of income level at which a charity might employ staff (for instance, where a grant is provided to fund a member of staff) and some kind of low-cost independent review of the financial records is appropriate.
23. Aligning this threshold with that for filing reports (threshold 5) would have consistency/simplicity in its favour, but we think that this is the more significant threshold and should be set at the appropriate level even if that were to result in non-alignment.

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

24. We are not aware of systemic concerns about the cost or availability of non-qualified independent examiners. The criteria required for such independent examiners are not onerous, and charities will typically find a willing volunteer to perform the service on a pro bono basis or for a nominal fee
25. There are, however, concerns about the quality of independent examinations carried out by non-qualified people and what comfort, if any, users of the financial statements should have from the process, which is pertinent to our response to the next question.

Q7. Threshold 7 - the gross annual income threshold over which certain qualification requirements to be an independent examiner apply.

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

7B: Please explain why this is your preferred option

26. The reason why we do not support increasing this in line with inflation (Option B), is that we are concerned about the quality of non-qualified independent examinations (see Q6 above). We believe quality needs to be improved before more charities are brought within the relevant banding and, probably, that the framework and process for independent examination should be reviewed generally before the threshold is changed.
27. The following are all real examples of information included in relevant financial statements filed with the Charity Commission that one of our members has seen in the past year and a half. The errors are apparent from the face of the documents and do not require technical accounting knowledge or the exercise of judgment:
 - Bank statements being erroneously included in filings
 - Failure to include a Trustees Report
 - IE report citing superseded legislation (1993 Charities Act)
 - Failure to include the IE report
 - IE signature without the IE being named
 - Excel management accounts being filed

- Filing missing balance sheet or statement of assets and liabilities on receipts and payments accounts
 - FRS 105 micro accounts being filed for a CIO
 - A superficially attractively produced annual review filed with extracts of financial information included, but lacking the required primary statements.
28. Other members have made similar comments as a result of which we believe that, collectively, the quality of non-qualified independent examinations leaves much to be desired. We understand that the Charity Commission has limited resource and may not be in a position to monitor and require all errors on financial statements filed by small charities to be corrected but, as things stand, we query whether the process provides value in raising the level of public trust and do not, as a result, believe more charities should be brought into its ambit by increasing the relevant threshold.
29. Retaining the threshold at this level is our preferred approach even though it means that the threshold may diverge in future from the thresholds for receipts and payment accounts (threshold 8). We note that threshold 7 relates to external scrutiny whilst threshold 8, by contrast, relates to accounting and that some charities, including all charitable companies, have to apply accruals accounting regardless of their size.

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?

30. We are not aware of significant concerns about availability. As regards cost, feedback from members we have consulted suggests that the estimate of £3,300 in the consultation is on the high side – we think a figure of around £1,500 more likely, though naturally the amounts will vary from case to case, and we do not have access to comprehensive data on this. The costs involved for smaller charities will typically be less than those for bigger ones.

Q8. Threshold 8 - the gross annual income threshold under which a charity may prepare receipts and payments accounts instead of accruals accounts

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

8B: Please explain why this is your preferred option

31. ICAEW naturally supports the use of accruals accounts as showing a “true and fair” view of a charity’s financial position. However, we understand that receipts and payments accounts are easier for smaller charities and their staff to understand and prepare and, probably, for many non-qualified independent examiners to understand too. We believe, therefore, that, in the interests of reducing burdens on small charities and proportionality, the flexibility to use receipts and payments accounts should be increased, and the relevant threshold increased substantially beyond inflation (£400,000, Option B).
32. In the interests of keeping the number of thresholds to a minimum, we suggest that the threshold be set at the same level as that proposed by the SORP-Making Body for its “tier 1”, namely £500,000 (or such other level as is eventually settled on for the SORP). While this would result in divergence from threshold 7 (qualified independent examiners), we note that this (threshold 8) is a financial reporting threshold, whereas threshold 7 is an external scrutiny threshold.
33. We can see a case for the level to be set even higher than this but note that the audit threshold in Scotland will, after consultation, be raised to £1 million so that it could be problematic to raise the threshold for receipts and payments accounts beyond that (as accounts subject to audit need to show a “true and fair” view).

Q9. Threshold 9- the gross annual income threshold over which accounts auditing requirements apply.

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

9B: Please explain why this is your preferred option

34. This is in keeping with our introductory comments regarding inflationary increases.

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

35. We have commented on the cost and availability of statutory auditors of charities under the current thresholds in the article referred to in our Key Points (and the letter to the then Minister to which a link is given in the article). We would be happy to provide more information if this would be useful.

Threshold 10 - the value of assets over which accounts auditing requirements apply.

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

10B: Please explain why this is your preferred option

36. We believe that charities that are below the income threshold (threshold 9) but have substantial assets are not always aware of this threshold and that it is widely misunderstood. Some of our members have suggested that the threshold should be removed entirely (leaving only the income threshold) and that would have the advantage of simplicity and consistency with the approach on some of the other charity law thresholds. However, we understand that this is not an option being considered in this review and believe that more detailed consideration would be required were it to be an option. On balance, therefore, we believe an increase in line with inflation would be appropriate in keeping with our introductory comments.

Q11. Threshold 11- the gross aggregate income of a charity group over which the requirement to prepare group accounts applies.

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

11B: Please explain why this is your preferred option

37. We believe this threshold should be kept the same as that for threshold 9, and our response is made on the basis that threshold 9 will be similarly increased.

Q12. Threshold 12 - the gross aggregate income of a charity group over which audit requirements apply.

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

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

38. We believe this threshold should be kept the same as that for threshold 9, and our response is made on the basis that threshold 9 will be similarly increased.

Q.13-18

39. We have no strong views on these thresholds and therefore suggest that they should all be increased by inflation in keeping with our introductory comments. We note the reasons given in the consultation for not increasing thresholds 18-21, but do not find them compelling – applying inflationary increases from the date they were originally proposed (rather than any implementation date) might better maintain the original intent and a subsequent review could equally be applied to the increased thresholds as to the original ones.

Threshold 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

13B: Please explain why this is your preferred option

Threshold 14 - remuneration thresholds under which lower-paid collectors will be excluded from certain solicitation requirements

14A: 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

14B: Please explain why this is your preferred option

Threshold 15 - the donation threshold above which donors are entitled to request a refund in certain circumstances

15A) 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

15B) Please explain why this is your preferred option

Threshold 16 - the gross annual income threshold below which the Charity Commission has concurrent jurisdiction with the High Court

16A 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

16B: Please explain why this is your preferred option

Threshold 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

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

17B: Please explain why this is your preferred option

Thresholds 18-21: thresholds amended by, or inserted into the Charities Act 2011, by the Charities Act 2022

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

Yes

No

18B: Please explain why this is your preferred option