

DSC Response to DCMS consultation

Financial Thresholds in Charity Law

June 2025

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1. Introduction

The Law Commission's 2017 report 'Technical issues in charity law' recommended that the government periodically review thresholds from the 2011 Charities Act every ten years, with a view to increasing them with inflation. The Department for Culture, Media and Sport (DCMS), as the department with policy responsibility for charity law, has been consulting on raising various thresholds for charities, which [closes on 12 June 2025](#).

There is a simultaneous consultation ongoing about the next version of the Statement of Recommended Practice or SORP, which translates internationally agreed accounting standards into best practice for charity reports and accounts. The [SORP consultation closes on 20 June 2025](#), with a new SORP set to apply from January 2025.

DCMS's consultation explores a range of thresholds, many of which have not been updated to match inflation for many years, with the result that more charities have come within their scope over time. These are grouped into five categories:

- **Registration** – currently at £5000 income;
- **Reporting and accounting** – e.g. complete Annual Return (£10,000); submit Annual Reports (£25,000); prepare accruals accounts (£250,000);
- **Fundraising** – e.g. amount at which a person is considered a 'professional fundraiser' (£10), donor refunds (£100);
- **Other charity regulation thresholds** – e.g. an obscure threshold about where CCEW has concurrent jurisdiction with High Courts;
- **Inserted/Amended by the Charities Act 2022** – e.g. detailed thresholds on Cy-près, ex gratia payments, and releasing restrictions on endowments.

The consultation proposes up to three options for each of the thresholds:

- **Option A** – do nothing, keep thresholds at current levels;
- **Option B** – increase thresholds with Consumer Price Index and Housing (CPIH) inflation;
- **Option C** – partially increase some but not all thresholds by 20%.

DCMS describes Option B as 'the most deregulatory'. For example, Option B would increase the charity registration threshold to £10,000, which could remove large numbers of charities from the register in coming years which otherwise would have needed to register as they passed the £5000k mark. DCMS does not recommend this option for this threshold.

There are advantages and disadvantages with each option. The consultation acknowledges the tension between the need for better data and transparency about charities, set against the regulatory burden of bringing more (smaller) individual charities into higher levels of regulatory compliance as inflation in effect brings more charities within their scope.

2. DSC's principle of responsible regulation

DSC believes that it is important that we have good quality data about the charity sector so that charities, regulators and policy-makers can make more informed decisions about policy that affects the sector. There is a widely acknowledged need for better data and research about the sector and the data submitted by charities to the regulators forms the backbone of the data that is available for analysis.

However, DSC also believes in 'Responsible Regulation' and that the regulation of charities needs to be 'proportionate, appropriate and enabling'. The regulatory burden on trustees is increasing all the time and this threatens the current and future supply of trustees, without which the sector can't function. It's therefore critical that policy-makers consider ways to simplify or reduce the negative impacts of regulation wherever possible if it doesn't compromise the public interest.

There is a clearly a tricky balance to be struck between proportionality and the collective interest in better data about the sector. It's important to consider some of the most important thresholds on their individual merits, because there are differing regulatory impacts, not just from an inflation-adjusting point of view.

3. Thresholds should be considered individually and in operation with others

In our response below, we make a case for raising or not raising several of what we consider to be the most important thresholds under consideration in this consultation. For illustration, it is useful to explore how the regulatory impact of raising the registration threshold is very different to that of raising the financial various accounting thresholds.

When a charity is very new and trustees are navigating the legal and constitutional requirements to set the charity up, it can be difficult to amass enough money to pass the £5000 threshold at which the charity regulators will accept the application. Doubling this to £10,000 would substantially increase that hurdle.

Receiving a charity registration can unlock many other doors for embryonic charities – for example many trusts and foundations will only fund registered charities, and they want to see published accounts as part of their application process, or they might require a registration number on their application forms. Donors to even very small charities may want to know that the charity is registered because it gives them a sense that their donations are going to a reputable, regulated organisation.

Doubling the level of this threshold would also create inconsistency within the population of registered charities, because some are already registered whose incomes are between £5000 and £10,000 and may stay within that income band for a long time. This would result in a diverging level of transparency between established micro-charities and new ones. Therefore DSC recommends keeping this threshold at £5000.

On the other hand, the various thresholds relating to accounting requirements are dragging more and more charities into more complex (and expensive) processes of financial review as

inflation accumulates, in some cases in a way which is proportionally very expensive in comparison to their income. The requirements of the new proposed SORP should also be considered, which are likely to increase costs across the board for independent examinations and audits, even with the proposed new tiered system which aims to be proportionate.

Unlike the registration threshold, the thresholds for independent examination or audit are not so much about a charity's recognition or formalised existence, they're about what it is required to do to demonstrate financial transparency and probity on an ongoing basis. Raising these thresholds might reduce the available data on relatively small charities to a minor degree but it would still maintain their presence and a level of regulatory compliance that is proportionate with their income.

Policy-makers also need to look at aligning thresholds wherever possible to simplify the system for all concerned. Especially with the new SORP under consideration, but also for example between charity and company law, as the consultation document acknowledges.

4. Summary of recommendations

DSC recommends the following main changes to the thresholds being consulted on:

- Keep the charity registration threshold at **£5000**
- For simplicity and proportionality, align the following thresholds at **£25,000**:
 - Requirement to include a statement in official publications (increase)
 - Requirement to submit an Annual Return (increase)
 - Requirement to submit Annual Report and Accounts (keep the same)
 - Requirement to have an Independent Examiner (keep the same)
- Raise the following thresholds to **£500,000** to match the start of the second proposed income tier reporting requirements in the new SORP:
 - Requirement to have an Independent Examiner with certain qualifications
 - Requirement to use accruals accounting for non-company charities above the threshold
 - Account and Statement option for charities below the threshold
- Raise the rest of the thresholds as per **Option B** in the consultation, in line with the Consumer Price Index and Housing (CPIH), except for those thresholds that were created recently or adjusted in recent legislation.

5. DSC's responses to the consultation questions

Below we include our responses to the consultation questions we consider the most important, the rest of the questions and thresholds we believe should be raised with Option B, in line with inflation. In cases where we agree with one of the question prompts proposed by the consultation, we have marked this in red our added our own response in red.

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

We support the regular review and adjustments of these thresholds, especially because of recent high inflation and the long time period since many of them were last reviewed or set.

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

The consultation document clearly lays out the principles and considerations, importantly including the desirability of 'alignment between thresholds' and the need for enhancing accountability via transparency of data and information provided to the public. However, raising some thresholds will have different regulatory impacts compared to others, and achieving better alignment may deliver greater benefit than simply inflation-adjusting in some cases.

Q3. Questions related to registration thresholds

Threshold 1 - registration for charities

Threshold 2 - registration for excepted charities

Threshold 3 - statement in official publications

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

- Yes (Option A) – maintain them for registration and excepted charities
- No (Option B) – increase them for statement in official publications (see Q4-6)

1B: Please explain why this is your preferred option

These thresholds are lumped together in the consultation but actually have quite different implications that need to be considered. We believe the registration threshold should remain at £5000, for the following reasons:

- Acquiring a registration is not easy and doing so helps to open opportunities for embryonic charities to funding from grant-makers and the public;
- Doubling the registration threshold would create inconsistency within the population of registered charities, because some are already registered whose incomes are between £5000 and £10,000 and may stay within that income band for a long time.

In addition:

- The question of excepted charities is more complicated, because the 2006 Charities Act intended that these charities (typically churches and chapels) should have been registered by now. The Charity Commission still regulates these charities, but they have not all been registered due to insufficient resources, and they may be unaware of their legal duties as charities. In an ideal world, the threshold for registering excepted charities should not be any different, but this may not be legally or logistically possible.
- The statement in official publications threshold should be raised to £25,000 to align with the requirement to submit accounts and to have accounts prepared by an independent examiner.

In summary, the registration threshold should remain at £5000 and the requirement to state that the charity is a registered charity in official publications should be increased to £25,000, to align with other changes described in our recommendations on Questions 4-6 below.

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 – increase to £25,000**

4B: Please explain why this is your preferred option

Neither of the suggested thresholds makes sense – they are too low. We believe the Annual Return threshold should be raised to £25,000 to align it with the threshold for submitting accounts and to have an independent examination, along with increasing the threshold requiring that the charity state it is a registered charity in official publications.

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

The regulatory benefit of this threshold has never been obvious. If a charity must require accounts to be prepared by an independent examiner and to submit an Annual Return, there is little advantage to the charity of not having to submit annual reports and accounts to the regulator; conversely there is a clear disadvantage to the public in terms of transparency, accountability and availability of data of not requiring reports and accounts to be submitted.

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

This threshold should be left at £25,000, to align with an increased threshold on submitting an Annual Return.

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

For very small charities of under £25,000, the cost could be a significant proportion of income, which might not provide any proportionate regulatory benefit. Income and expenditure for a charity below that amount is unlikely to be very complex.

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 – raise to £500,000**

7B: Please explain why this is your preferred option

DSC recommends that this threshold should be raised to align with the new second tier threshold in the exposure draft of the SORP (greater than £500,000). Further there would be little sense to have independent examination requirements for non-company charities starting at £300,000 (Option C) or £400,000 (Option B) with the second tier of the SORP threshold starting at £500,000 – this could be confusing for trustees and lay readers of accounts.

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?

Not at this time.

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 – raise to £500,000**

8B: Please explain why this is your preferred option

This threshold should be raised to align with the new second tier threshold in the exposure draft of the SORP (£500,000). Again, there would be little sense to have audit requirements for non-company charities starting at £300,000 (Option C) or £400,000 (Option B) with the second tier of the SORP threshold starting at £500,000 – this could be confusing for trustees and lay readers of accounts.

Q9. Threshold 9 - the gross annual income threshold over which account 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.

This threshold needs to be updated with inflation to avoid the problem of greater numbers of charities being dragged into requiring an audit at a level of income which now has far less purchasing power than it did when the threshold was set. Those charities will also likely be spending proportionally more of their income on audit costs compared to when the thresholds were first set, because auditors will have had to increase their fees to account for inflation in order to remain profitable, whereas the charity's income might not have kept pace with inflation – which is more likely for smaller and medium-sized charities.

Hypothetically, if an audit of a charity of just over £1,000,000 income 20 years ago cost £10,000, that was proportionally 1% of its income. In the intervening years, audit costs could easily have doubled, to £20,000, or 2% of its income. Not only is the purchasing power of £1,000,000 to pay for all the charity's other costs far less due to inflation – the audit cost which needs to fit within that income will be taking up a greater proportion of the charity's funds than previously.

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

We hear anecdotally that this is an increasing problem and burden for trustees. Audit can be a complex and time-consuming process that requires almost year-round planning and good coordination between trustees and the staff or volunteers of the charity. Sometimes auditors need to withdraw from being a client of the charity and in that case finding a new auditor in time to meet pre-established deadlines can be difficult and lead to delays in submitting reports and accounts.

Q10. Threshold 10 - The value of assets over which account 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

This needs to be done to maintain proportionality for charities at different income levels.

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

This needs to be done to maintain proportionality for charities at different income levels.

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

This needs to be done to maintain proportionality for charities at different income levels.

Q13. 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

This needs to be done to maintain proportionality for fundraisers and fundraising charities.

Q14. 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

This needs to be done to maintain proportionality for fundraisers and fundraising charities.

Q15. 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?

This needs to be done to maintain proportionality for fundraisers and fundraising charities.

Q16. 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

If other thresholds are raised in line with Option B it makes sense for this to align also.

Q17. Threshold 17 - the maximum payment that can be received as consideration for releasing a rentcharge, under which costs incurred by a charity in connection with proving its title to the rentcharge are recoverable from the person in whose favour the rentcharge 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

If other thresholds are raised in line with Option B it makes sense for this to align also.

Q18. 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

It is our understanding that these thresholds were introduced more recently and therefore the need to uprate them with inflation should not be as great as in other cases.