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Legal Advice, Business Consultancy and Governance Services for Creative Organisations

Charity accounts: the new rules for 2026

A plain English guide to what trustees and boards need to check

The rules for charity accounts in England and Wales have changed, and two important changes are now taking effect. We are publishing this now, at the end of September 2026, because this is the moment the changes start to bite. The new income thresholds apply to financial years ending on or after 30 September 2026, so the very first charities affected are those with a 30 September year end, whose accounts are being prepared right now. Every other charity will meet the new rules at its next year end, and the new SORP is already in force for accounting periods that began on or after 1 January 2026. We would rather our clients came to their year end knowing what has changed than discovered it when their accounts were being signed off, so this note sets out what to check and when it applies to you.

The two changes at a glance

New income thresholds: apply to financial years ending on or after 30 September 2026. They raise the points at which accounts must be independently examined, audited, or prepared on the more detailed "accruals" basis.

A new SORP (SORP 2026): applies to accounting periods beginning on or after 1 January 2026, and affects only charities that prepare accruals accounts.

WHY THE TWO DATES MATTER

The changes are triggered at different points in your financial year, which is easy to trip over:

- The new thresholds look at when your financial year ends. A charity with a 31 March year end first uses the new figures for its year ending 31 March 2027; a charity with a 30 September year end uses them straight away, for the year ending 30 September 2026.
- SORP 2026 looks at when your accounting period begins. For most charities that is the period starting in 2026, so it applies to the accounts you prepare after that period closes.

If you are unsure which set of figures applies to the accounts you are working on now, start with your year-end date.

THE NEW FINANCIAL THRESHOLDS

These figures apply to charities in England and Wales. The table shows the old and new positions side by side. Read it by finding your charity's income; the change that matters to you depends on where you sit.

What the income level triggers	Old (year end before 30 Sep 2026)	New (year end on/after 30 Sep 2026)
No external scrutiny normally required (income at or below)	£25,000	£40,000
Independent examination required (income above)	£25,000	£40,000
Examiner must be professionally qualified (income above)	£250,000	£500,000
Accruals accounts required; receipts-and-payments option ends for non-company charities (income above)	£250,000	£500,000
Audit required on income alone (income above)	£1m	£1.5m
Audit required on the assets test (income above the figure shown AND gross assets above)	£250,000 income + £3.26m assets	£500,000 income + £5m assets

Note: “gross income” and “gross assets” are measured as defined in charity law. The audit assets test bites only where income is above the figure shown and gross assets exceed the limit.

WHAT THIS MEANS FOR YOUR CHARITY

The headline effect is that many smaller and medium-sized charities will face lighter requirements. The three groups most likely to notice a difference are:

Charities with income between £25,000 and £40,000

You may no longer be legally required to have an independent examination at all. That said, trustees can still choose to have one where it gives useful assurance to funders, donors or the board, and your governing document may require it regardless.

Non-company charities with income up to £500,000

You may now prepare simpler receipts and payments accounts rather than full accruals accounts. This can reduce complexity, but it is not automatically the right choice. Weigh your activities, reserves, restricted funds and what funders and stakeholders expect before changing basis. (Charitable companies must still prepare accruals accounts under company law.)

Charities with income between £1m and £1.5m

Key point

This is the change most worth acting on. A charity in this band that previously needed a full audit can now usually choose an independent examination instead: a lighter, narrower and considerably cheaper check.

Two cautions, though. An audit is still compulsory if your gross assets are over £5 million (the assets test comes into play once income is above £500,000, whatever your income up to £1.5m). And above £500,000 income, the examiner must be professionally qualified, so line one up in good time. Always check your governing document and funding agreements too, as either can still require an audit even where the law does not.

INDEPENDENT EXAMINATION: WHAT IT INVOLVES

Where a charity's income is above the examination threshold but below the audit threshold, most charities can choose an independent examination instead of an audit. An independent examination is a “light touch” review. The examiner checks the accounts against the charity's records and looks for specific matters, but does not form the full “true and fair” opinion that an audit requires. That is why it usually costs less.

Who can act as an examiner

The person must be genuinely independent: so not a trustee, employee, bookkeeper, member of a finance sub-committee, major donor or beneficiary, and not someone with a close relationship with the trustees. Being a supporter of the charity is fine; being involved in running it is not.

The level of expertise required rises with income. Above £500,000, the examiner must be a member of one of the bodies listed in the Charities Act 2011 (for example ICAEW, ACCA or AAT), or a fellow of the Association of Charity Independent Examiners (ACIE). At or below £500,000 there is no legal requirement for a qualified examiner, but the Commission recommends one where accruals accounts are prepared, because applying the SORP is not a task for the untrained.

What the trustees must do

- Appoint the examiner in writing and record it in the minutes.
- Each year, confirm the examiner is still independent and suitably skilled, particularly if income has crossed a threshold.
- Respect the examiner's independence: never make the appointment conditional on accepting particular figures or accounting treatments.
- Prepare the accounts yourselves (you may ask the examiner to assist, provided they do not keep your records or run the charity day to day), give them access to records, and approve and sign the final accounts.

What the examiner reports

The examiner reports to the trustees on whether anything suggests, in any material respect, that proper records were not kept, that the accounts do not agree with the records, or (for accruals accounts) that they do not comply with the legal and SORP requirements. Separately, the examiner must report certain serious matters directly to the Commission (for example fraud, money laundering, or unmanaged conflicts of interest).

Filing

The examiner's report is filed alongside your trustees' annual report and accounts, within 10 months of your year end (charitable companies also file at Companies House within 9 months). The Commission's online return needs the documents as PDFs. Electronic or typed signatures are acceptable unless your governing document says otherwise.

THE NEW SORP 2026, IN BRIEF

SORP 2026 matters only if you prepare accruals accounts. It introduces a three-tier structure based on income: Tier 1 up to £500,000, Tier 2 from £500,000 to £15m, and Tier 3 above £15m, with more detailed reporting expected as charities move up the tiers. It also brings in new requirements for recognising and reporting certain kinds of income and for lease arrangements, and greater transparency from the largest charities. If you prepare accruals accounts, budget some time to get familiar with it.

WHAT HAS NOT CHANGED

- **Registration:** charities must still register once income reaches £5,000.
- **Annual return:** all registered charities must still file one each year; the fuller return is required once income exceeds £10,000.
- **Trustees' annual report:** the £25,000 point for the fuller public reporting expectations is unchanged.
- **The basics:** all charities must keep proper accounting records and prepare accounts, and registered charities must prepare a trustees' annual report. These must be available to the public on request.

WHAT YOUR BOARD SHOULD DO NOW

- Confirm your year-end date and identify the first accounting period affected by each change.
- Check projected income and gross assets against the new thresholds, as you may move into a lighter regime.
- If you could simplify (for example dropping from audit to examination, or from accruals to receipts and payments), decide whether that is genuinely right for your charity and its funders, not just cheaper.
- Review your governing document for any audit or examination requirement that overrides the statutory position. If it forces an audit you no longer need, consider amending it (the Commission's guidance CC36 explains how).
- If you will need a qualified examiner (income over £500,000 and choosing examination), start the search early, as appointing one takes time.
- If you prepare accruals accounts, make time to understand SORP 2026 before your next accounts are drawn up.

A NOTE ON WHERE YOU OPERATE

These thresholds and the CC31 examination rules apply to charities registered in England and Wales. If your charity is also registered in Scotland, additional or different requirements set by OSCR may apply; there are separate arrangements in Northern Ireland. The rules also cover “excepted” charities (regulated by the Commission but not required to register) but not “exempt” charities such as most universities and academy trusts.

This guide reflects the position for charities in England and Wales as at September 2026. It is general information, not advice on any individual charity's circumstances. If you would like ProArtsPlus to look at how the changes apply to your charity, do get in touch at hello@proartsplus.co.uk.