



TRUSTEES' SHORT GUIDE SERIES

Reporting requirements by type of charity.

Basic charity governance and accounting.

February 2026



pem.

The best place to start with any charity reporting query is the Charity Commission guidance. [Charity reporting and accounting: the essentials November 2016 \(CC15d\)](#) is the key document for guiding trustees when preparing annual reports, accounts and annual returns.

All charities are required to prepare and maintain accounts, regardless of whether they are filed with the Charity Commission and prepare an annual report. However the contents and filing requirements depend on the charity type (how it is established); what the governing documents of the charity or non-profit require; and its size (the income for the current year and the value of its assets).

There have been recent proposals to change the thresholds at which some of the requirements apply. These changes have not yet been enacted through legislation so the increased thresholds are shown in brackets following the current level throughout. Government guidance currently states that changes will not come into effect before 1 October 2026 and it is not yet clear which periods will be the first impacted by the change.

What type of charity?

There are a number of different phrases which may be used to describe a charity which are set out below.

Unincorporated associations are typically a group of like-minded individuals, they have no separate legal structure and members are personally liable for the charity's debts and obligations.

Charitable Trusts are a legal arrangement where the property is held by the trustee. Trusts are able to contract independently but do not limit liability for Trustees.

Charitable Incorporated Organisation (CIO)s are a legal structure that was introduced in 2013 as a way for charity Trustees to limit liability through incorporation, whilst managing the administrative burden. Thus CIOs are only required to register and maintain statutory information with the Charity Commission and not Companies House. CIOs are registered at inception.



Community Interest Companies (CIC)s are social enterprises that operate for the benefit of the community, CICs are registered with Companies House and can additionally register as a charity if they wish to do so, they would then have to comply with both Charity Commission and Companies House regulations. However a CIC can be run as a non-charitable organisation, it does not have to register should its income breach the threshold.

Charitable Companies (typically Companies Limited by Guarantee) are the most common form of incorporated charity and must comply with both Companies House and Charity Commission regulations.

Unregistered Charities with income in any year below £5,000 (£5,000). Note: A Charitable Incorporated Organisation is registered as part of its incorporation and therefore cannot be considered as an unregistered charity regardless of its annual income.

Exempt Charities are listed in the Charity Act 2011 and are not required to register, these charities may be broadly classified as educational institutions (not including private schools); National named museums and galleries; registered providers of social housing.

Excepted Charities with income in any year below £100,000 (£100,000), are specifically set out in Charity Commission Guidance, and include smaller churches/chapels belonging to certain Christian denominations, scout and guide groups, student unions. No new exceptions can be made. For most, the exceptions are permanent, however, for some churches there is an end date of 2031, by which time they should have become registered.

Other charities can be formed by Royal Charter or a Statutory Instrument. They are regulated by the Charity Commission and the terms of the Charter or Instrument. This may include additional regulations or requirements.

What type of reporting?

The type of accounts required by a charity will depend on the size of the charity. There are a number of different types of reporting and annual accounts that a charity can prepare. Some of the terminology is set out below.

Receipts and Payments accounts provide an analysis of the incoming and outgoing cash for the year. Although there is no statutory format for recording these cash transactions some specific guidance is given for receipts and payments accounts in [Charity Commission Guidance CC16](#).

A statement of assets and liabilities, accompanies receipts and payments accounts and outlines the main assets and liabilities at the end of the year, including the cash balances. No asset valuations are required, but may be provided.

Accruals accounts are prepared to give a true and fair view of the Charity's income and expenditure for the year and of its assets, liabilities and if the charity is large enough its cash flows.

Accruals accounts must follow UK GAAP and the Statement of Recommended Practice (SORP). All income and expenditure is recorded in relation to the period to which it relates, not the date of payment or receipt.

Natural classification basis is a means of reporting on the Statement of Financial Activities where a charity can choose its own relevant descriptors of income and expenditure that are meaningful to the users of the accounts.

Activity basis is a means of reporting on financial activities when income and expenditure are classified according to activity, this includes allocating direct, support and governance costs across the charity's activities.

What does it mean for your charity?

The table below summarises the requirements for different sizes and types of charitable organisation. If a charity prepares, or chooses to prepare, accounts on an accruals basis it must apply the SORP.

For charities in England and Wales ¹	Trusts and CIOs	Charitable Companies
<£25,000 (<£40,000) annual income	Receipts and payments OR Accrual basis (natural classification OR activity basis) No scrutiny	Accrual basis (natural classification OR activity basis) No scrutiny
Between £25,000 (£40,000) and £250,000 (£400,000) annual income	Receipts and payments OR Accrual accounts (natural classification OR activity basis) Independent examination	Accrual accounts (natural classification OR activity basis) Independent examination
Income between £250,000 (£400,000) and £500,000 and assets less than £3.26 (£5m)	Accrual accounts (natural classification OR activity basis) Independent examination by a qualified examiner	Accrual accounts (natural classification OR activity basis) Independent examination by a qualified examiner
Income between £500,000 and £1m (£1.5m) and assets less than £3.26 (£5m)	Accrual accounts (activity basis) Independent examination by a qualified examiner	Accrual accounts (activity basis) Independent examination by a qualified examiner
Over £1m (£1.5m) Or income over £250,000 (£400,000) and assets over ££3.26m (£5m)	Accrual accounts (activity basis) Audit	Accrual accounts (activity basis) Audit

¹Scottish charities regulated by OSCR currently have the same thresholds for independent examination but the audit threshold is currently £500,000 rising to £1m for reporting periods beginning on or after 1 January 2026. The increases shown in brackets are for charities registered in England and Wales only.

Next steps

Charities will need to determine annually what their accounting and reporting requirements are based on the size of the organisation. This includes consideration of independent examination and audit thresholds and if applying SORP 2026, charities will also need to consider tiers and requirements.

Where charities expect to move between thresholds regularly it may be beneficial to adopt the requirements of the higher threshold.

Trustees should consider the implications for accounting and reporting with their advisers or please contact any member of our Charities & Non-profit team.

Further reading

- [Charity reporting and accounting: the essentials November 2016 \(CC15d\)](#)
- [CC16b Receipts and Payments Accounts Introductory Notes](#)
- [Accruals accounts pack \(CC17\) - SORP FRS 102 - GOV.UK](#)
- [Download a full SORP - SORP](#) (select SORP 2026 for periods starting on or after 1 January 2026).

Your Charities & Non-profit team

Audit and accounts



Kelly Bretherick
Partner, Audit
e. kbretherick@pem.co.uk



Michael Hewett
Partner, Audit
e. mhewett@pem.co.uk



Nikki Loan
Partner, Audit
e. nloan@pem.co.uk



Grace Quist-Therson
Director, Audit
e. gquist-therson@pem.co.uk



Gemma Baratte
Senior Manager, Audit
e. gbaratte@pem.co.uk



James Rayson
Senior Manager, Audit
e. jrayson@pem.co.uk

Outsourcing: Virtual Finance Office (VFO)



Andrew Turpin
Partner, VFO
e. aturpin@pem.co.uk



Melissa Guenigault
Manager, VFO
e. mguenigault@pem.co.uk

Tax and VAT



Kate Millard
Director, Employment Tax
e. kmillard@pem.co.uk



Judith Pederzoli
Director, Business Tax & SDLT
e. jpederzoli@pem.co.uk



Robert Plumbly
Director, VAT
e. rplumbly@pem.co.uk



Michelle Harris
Assistant Director, VAT
e. mharris@pem.co.uk

Independent examination



Edward Spanner
Manager, Accounts
e. espanner@pem.co.uk



David Widdowson
Assistant Manager, Accounts
e. dwiddowson@pem.co.uk

pem.co.uk

PEM

Salisbury House

Station Road

Cambridge CB1 2LA

t. 01223 728222

e. pem@pem.co.uk



For General Information Purposes only

Please note that this document is not intended to give specific technical advice and it should not be construed as doing so. It is designed merely to alert clients to some issues. It is not intended to give exhaustive coverage of the topics. Professional advice should always be sought before action is either taken or refrained from as a result of information contained herein. The firm's full name and a full list of partners is available on our website.

© 2026 PEM