UNLOCKING THE POWER TO GOVERN · PAPER 03

# Paper III: Charities

Ending the use of charitable status for political campaigning.

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Britain's charities are one of the finest expressions of its national character. They run hospices and lifeboats, care for the elderly and the disabled, preserve churches and landscapes, support veterans and feed the hungry. Most do so with little public recognition and no political agenda. Nothing in this paper is directed at that work.

But charitable status confers privileges. Charities are exempt from most taxes, their donors receive relief and many receive substantial sums of public money. Those privileges exist because charities serve the public benefit. Over the past two decades a growing part of the sector has used them to pursue political ends.

A network of foundations, intermediary funds, campaigning charities and legal charities now operates as an organised political force. Foundations fund intermediaries. Intermediaries fund campaign groups. Campaign groups supply evidence, spokespeople and coalition letters. Legal charities turn policy disagreements into litigation. The same organisations appear in consultations and before parliamentary committees as neutral experts. Some of them are funded by the departments whose policies they work to defeat.

This is part of the veto state. Charities do not govern Britain, but parts of the sector have made it very difficult for any elected government to do so.

The answer is not to restrict what anyone may say. Any person or organisation remains free to campaign on any question. The answer is to end the use of public money and charitable privilege to fund political campaigns, to make funding visible and to give the regulator the means to enforce the law.

This paper proposes a programme to do that. Set a statutory test that makes a dominant political purpose incompatible with charitable status. Remove tax relief from campaigning by charities. Narrow the charitable purposes most open to political use. Confine public money to defined charitable outputs. Require charities to publish their grants, their political activity and all foreign funding. Restrict transfers from charities to campaign bodies. Strengthen the Charity Commission's accountability to Parliament and give it the resources and powers it needs.

## 1 How charity became a vehicle for politics

The charitable sector is large and closely entwined with the state. Charities regulated by the Charity Commission spent around £107 billion in 2025-26. They received around £16 billion from government in grants and contracts in 2022. Charitable tax reliefs cost around £7.4 billion in the year to April 2026.

| MEASURE | FIGURE |
|---|---|
| Registered charities in England and Wales (March 2026) | 171,112 |
| Charity spending regulated by the Commission (2025-26) | Around £107 billion |
| Government grants and contracts to charities (2022) | Around £16 billion |
| Charitable tax reliefs (year to April 2026) | Around £7.4 billion |
| Charity Commission staff (March 2026) | 443 |
| Charities per member of Commission staff | Around 386 |

The law has long held that a political purpose cannot be charitable. Courts have refused charitable status to bodies whose purpose is to change the law or government policy, at home or abroad. But a charity may campaign where doing so furthers its charitable purposes, and the line between furthering a purpose and pursuing a political one has become very difficult to hold. The Charity Commission's guidance allows a charity to focus most, or all, of its resources on political activity for a period, provided this does not become its reason for existing.

Much of the activity described in this paper is lawful under the current rules. The problem is not only weak enforcement but rules that allow charitable privilege and public money to fund political campaigns. This paper proposes to change those rules, not merely to enforce them.

The Charities Act 2006 made it harder still. It added the advancement of human rights, the promotion of equality and diversity and similar purposes to the list of charitable purposes. Purposes framed this broadly can justify advocacy across almost any field of policy. An organisation whose real work is campaigning can describe it as advancing human rights or equality and remain within the rules.

The regulator cannot keep up. The Charity Commission has 443 staff to oversee more than 171,000 charities. Its guidance on campaigning is permissive and its enforcement focuses on explicit party-political endorsement. The most sophisticated organisations never need to endorse a party. They work through legal action, evidence, media placement and coalition campaigns.

### The state-funded opposition loop

The most direct form of the problem is public money funding opposition to public policy. A department funds an organisation to deliver a service. The same organisation then campaigns, litigates or gives evidence against the department's policy in the same field. No mechanism exists across government to identify these conflicts, let alone prevent them.

The existing safeguards are weak. Since 2016 government grant standards have barred the use of grant money for paid-for lobbying, but they permit evidence to committees, meetings with ministers and consultation responses, and nothing tracks the wider activity of the organisations funded.

## 2 Privilege, not speech

This programme rests on a simple distinction. Freedom to campaign belongs to everyone. Charitable privilege and public money do not.

An organisation that wishes to campaign for a change in the law may do so freely, as a company, an association or a campaign group. What it may not do is campaign as a charity, financed by tax relief and public grants that exist to support work for the public benefit. Politics should be funded by those who support it, not by every taxpayer.

The programme follows the same principle as the rest of this series. The problem is not the existence of charities but their remit and accountability. The measures below confine charitable privilege to charitable work, make funding visible and give the regulator the means to enforce the law.

# 3 Charitable purpose

## K1 Make a dominant political purpose incompatible with charitable status

Write into the Charities Act 2011 a statutory test that a body with a dominant political purpose cannot be a charity. A political purpose is one directed at changing the law, the policy of central, devolved or local government, the decisions of a public authority or the electoral standing of a party or candidate. It includes seeking to change the law or policy of a foreign state or international body and campaigning on a foreign conflict.

Political activity will be dominant where it is the organisation's principal activity in any financial year, judged by expenditure, staff time and management focus, or where its charitable activities serve mainly as a platform for it. A sustained strategy to secure a predetermined change in law or policy, repeated campaigns directed at the same objective and a model in which strategic policy litigation is the organisation's ordinary business are evidence of dominance. They will not establish it where political activity is a minor part of a charity's work.

This goes further than the current rules. Existing guidance allows a charity to focus most, or all, of its resources on political activity for a period. Under the new test, political activity may never be a charity's principal activity in any financial year.

Activities that are not campaigning under K2, including research, published analysis, consultation responses and evidence given when invited, will not count towards dominance. The test does not prevent a hospice from telling ministers what its patients need or from taking a view on a question such as assisted dying. It prevents an organisation whose real business is political campaigning from claiming the privileges of charity.

## K2 Remove tax relief from campaigning expenditure

Campaigning will no longer be treated as a charitable activity for tax purposes. A charity's spending on campaigning will count as non-charitable expenditure, so that an equivalent amount of its income loses tax relief under the existing rules. Public money may not be used for campaigning under K5.

Campaigning covers lobbying for changes to the law or government policy, organising public pressure, campaign advertising, joint campaign letters, coalition campaigns and strategic policy litigation. Strategic policy litigation means litigation whose purpose is to change, block or overturn legislation or government policy. Litigation to protect a charity's own assets or legal rights, to enforce contracts, to challenge a decision that directly affects the charity or its services or to act for individual beneficiaries in their own cases is not campaigning.

Responding to a government consultation, giving evidence when invited by Parliament or a public body and publishing research are not campaigning either. A hospice may still tell ministers what its patients need.

A charity that wishes to campaign may establish a separate campaigning body funded by its own members and supporters. Charitable funds may not be transferred to it under K11.

## K3 Narrow the charitable purposes open to political use

Amend section 3(1)(h) of the Charities Act 2011 so that it reads: the relief of individuals who have suffered torture, trafficking, persecution or other serious violations of their fundamental rights and the promotion of reconciliation between communities in Northern Ireland.

This removes the advancement of human rights in general, conflict resolution, reconciliation outside Northern Ireland, the promotion of religious or racial harmony and the promotion of equality and diversity. These purposes are broad enough to support campaigning on almost any contested question, at home or abroad. Help for the victims of serious abuse remains charitable. Genuine community and educational work can continue under existing purposes such as education, community development and the relief of need, provided the activity is real and not a vehicle for campaigning.

Reconciliation between communities in Northern Ireland remains charitable because it is central to the peace process and to the commitments of the Belfast Agreement. The political purpose test in K1 continues to apply to it.

Amend section 3(1)(e) so that it reads: the advancement of citizenship through civic education and volunteering and the advancement of community development through practical local activity, including the provision of facilities, services and regeneration. Organising communities to bring pressure on public authorities is not community development for this purpose.

Amend section 3(1)(i) so that it reads: the conservation, protection and improvement of the natural environment, including land, water, habitats and species, through practical work, research and education. Campaigning or litigating for changes to environmental law or policy is not environmental protection for this purpose.

Volunteering, civic education, community facilities, regeneration, nature reserves, woodland, rivers, species recovery and environmental research all remain charitable. Organisations whose main business is community organising for political pressure or environmental campaigning and litigation will not.

## K4 Transition and the protection of charitable assets

Charities affected by K1 or K3 will have twelve months from commencement to amend their purposes and activities. Those that cannot meet the new tests will be removed from the register.

Assets acquired while an organisation was a charity were given or relieved of tax for charitable purposes. They will remain held for charitable purposes and, where necessary, be transferred to other charities under the supervision of the Charity Commission. An organisation that leaves the register may continue its work with new funds raised on a non-charitable basis.

# 4 Public money

## K5 Confine public money to defined charitable outputs

Public money given to charities will fund only defined charitable outputs: the delivery of services, research, conservation, the care of buildings and collections, education and other outputs specified in the grant or contract. Grants and contracts from central government, local authorities, arm's-length bodies and lottery distributors will exclude campaigning, public affairs, coalition organising and strategic policy litigation as eligible spending.

Grant agreements will define the output purchased, the outputs expected and the activity excluded. Accounting officers will audit compliance and recover funds used for excluded activity. Legal aid for the representation of individuals is not affected.

## K6 Map conflicts across government

The Cabinet Office will maintain a single register of public funding to charities across government. For each recipient above a threshold it will record funding from every public source, any spending on excluded activity, contractual performance and the campaigning and strategic policy litigation the organisation has reported under K2 and K8.

When making or renewing a discretionary grant, a department may take into account whether the applicant is campaigning or conducting strategic policy litigation against the department's policy in the same field. Such activity will be treated as a conflict of interest that the department may weigh in deciding whether to fund. Responding to consultations, giving evidence when invited and publishing research will not count. Each decision will be recorded with reasons.

The rule does not apply to legal aid or statutory entitlements. Contracts awarded under procurement law remain subject to their own rules.

# 5 Transparency

## K7 Publish grants and regrants

Charities and foundations above a threshold will publish every grant they make and receive, including grants passed on to other organisations, in a single open register maintained by the Charity Commission. Each grant will be tagged by purpose: service delivery, research, advocacy, litigation or organising. Funding that passes through several organisations will be traceable from its original source to its final use.

## K8 Report political activity

Charities above a threshold will report each year their spending and staff time on policy, campaigning and public affairs, their litigation and interventions involving public authorities, the coalitions and joint letters they have joined and their meetings with ministers, officials and regulators. The information will be published on the register of charities.

### K9 Declare funding in consultations and evidence

An organisation responding to a government consultation or giving evidence to Parliament will declare its public funding, its principal funders and whether it is a claimant, intervener or coalition member in related litigation or campaigns. Committees and departments will publish the declarations with the evidence.

### K10 Publish all foreign funding

Charities will disclose all funding from outside the United Kingdom above £10,000 in any year from a single source, whether from a foreign state, a foreign organisation or a foreign individual. The source, amount and purpose of each such payment will be published on the register of charities, where it will be freely accessible to the public.

Funding from a foreign state or a body acting on its behalf will be identified as such.

## 6 Transfers to campaign bodies

### K11 Restrict transfers from charities to non-charities

A charity may transfer funds to a non-charitable body only where the transfer is necessary for a defined charitable purpose, the recipient is contractually bound to use the funds for that purpose, the transfer is fully disclosed and the charity can audit its use. The recipient may not use the funds, staff, branding or data for political activity. Connected relationships between charities and non-charitable campaign bodies will be declared.

Without this rule the test in K1 could be avoided by a charity passing money to a connected campaign company. The rule ensures that money given or relieved of tax for charitable purposes stays within charitable work.

## 7 The regulator

### K12 Strengthen the Charity Commission's accountability to Parliament

The Charity Commission already reports to Parliament. This measure makes that accountability concrete. Its chair will be appointed only with the agreement of the relevant Commons select committee, replacing the current pre-appointment hearing, which is advisory. The committee will also examine the Commission's annual report, enforcement record and use of powers each year.

Its statutory objectives will be restated around enforcing charity law, protecting charitable assets and ensuring that charitable privilege is used only for charitable purposes.

### K13 Fund the Commission and strengthen its powers

The Commission's resources will be increased to match its task, funded in part by an annual levy on charities with income above £1 million. Its powers will be extended to include civil penalties for breaches of the political activity, reporting and transfer rules. It will be able to remove organisations from the register under K1 and K3 and to require information from non-charitable bodies connected to a charity.

## 8 Territorial application

Charity regulation is devolved in Scotland and Northern Ireland. Charitable tax reliefs are not. For tax purposes, the meaning of charitable purpose is set by the Charities Act 2011 and applies across the United Kingdom. Changes to charitable purpose under K1 and K3 will therefore determine eligibility for tax relief throughout the country.

| FIELD | APPLICATION |
|---|---|
| **Charitable purpose and the political purpose test** | England and Wales for registration. United Kingdom for tax purposes through the Charities Act 2011 definition. |
| **Campaigning expenditure** | United Kingdom, as a tax measure |
| **Public money** | All UK public funding, wherever the recipient is based. Devolved administrations will be invited to apply the same conditions to their own funding. |
| **Transparency and foreign funding** | Charities registered in England and Wales. Declarations in UK consultations and evidence to the UK Parliament apply to all organisations. |
| **Transfers and the regulator** | England and Wales |
| **Scotland** | The Scottish Government will be invited to make equivalent changes to Scottish charity regulation. Parliament will legislate if consent is refused. |
| **Northern Ireland** | The Northern Ireland Executive will be invited to make equivalent changes to Northern Ireland charity regulation. Parliament will legislate if consent is refused. |

## 9 Legislation and delivery

The programme will be delivered through a Charities (Public Benefit) Bill led by culture ministers, with the tax measure in the Finance Bill and the Cabinet Office responsible for the conditions on public money.

| INSTRUMENT | MEASURES | CONTENT |
|---|---|---|
| **Charities (Public Benefit) Bill** | K1, K3, K4 and K7 to K13 | Political purpose test, charitable purposes, transition, transparency, foreign funding, transfers and the Charity Commission |
| **Finance Bill** | K2 | Treatment of campaigning spending as non-charitable expenditure for tax purposes |
| **Grant and contract standards** | K5 and K6 | Conditions on public money and the cross-government funding register, made under existing powers and placed on a statutory basis in the Bill |

Charity is too valuable to be used as a political instrument. Returning it to its purpose will protect the work that most charities do and the trust on which all of them depend.