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By PwC Deutschland | 03 July 2026

Update: Supreme Tax Court: Baden-Württemberg state real property tax law is not unconstitutional

The German Supreme Tax Court (BFH) ruled on 20 May 2026, that the Baden-Württemberg state real property tax law is not unconstitutional, and affirmed the law's provisions for real property valuation used in property tax calculations starting 1 January 2025.

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The Court decided in two cases involving property owners disputing the valuation methods used by tax authorities in Karlsruhe and Stuttgart, which focussed on the use of standard land value ("Bodenrichtwert") for entire parcels regardless of differing land use or property conditions.

In case **II R 26/24**, the plaintiff owned a 1,100 sqm property in Karlsruhe with a two-family house built in 1968. The Karlsruhe Valuation Committee determined a Bodenrichtwert of €510/sqm for the relevant date, but stipulated this full value should apply only to the first 40 meters of depth; the remaining garden land area was valued at 33% of this, i.e., €168/sqm. The plaintiff declared the property value accordingly (~€430,000), but the tax office valued the entire plot at the full land value (€565,000), applying the €510/sqm across the whole property. An expert opinion submitted late in the appellate process valued the property at €361,000, showing a 36% downward deviation from the tax office's figure, but this was not considered in the decision.

In case **II R 27/24**, a married couple owned a 434 sqm Stuttgart property with a semi-detached house built in 1938. The Stuttgart Valuation Committee set the land value at €1,400/sqm. The tax office calculated the property's land value at €607,000 by multiplying area and land value. The plaintiffs requested a 7% reduction due to adverse conditions like heavy traffic noise and claimed that standard land values were inaccurate for their property.

Dispute over the valuation approach:

The plaintiffs argued that the law's valuation method violated federal laws and constitutional principles by ignoring differences in land use, building presence, and individual property characteristics. They also contested the exclusion of buildings from the valuation base and claimed this violated equality and performance-based taxation principles.

The BFH upheld the tax assessments in both cases and rejected the appeals.

Decision

The BFH upheld the tax authorities' method of multiplying the entire property area by the standard land value, disregarding individual property specifics such as noise pollution or partial land use differences. New evidence submitted late in the process was not considered.

The BFH found the Baden-Württemberg real property tax law **formally constitutional**, recognizing the state's legislative competence under the Constitution ("Grundgesetz"/ Basic Law) and confirming that the tax qualifies as a real property tax despite excluding buildings from valuation.

The law was also deemed **materially constitutional**, with the BFH emphasizing the legislator's broad discretion in tax law design and the principle that standardized valuation methods can legitimately simplify tax administration without contravening constitutional mandates for equality and economic capacity-based taxation.

The Court considered the **valuation method** as justified and reasoned that basing the tax solely on land value reflects the owner's participation in municipal infrastructure and spatial resources, and that the

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standard land value method facilitates administrable mass valuation whilst also allowing taxpayers to prove lower values via expert appraisal if deviations exceed 30%.

Furthermore, the **exclusion of buildings** was also justified. The court stated that excluding buildings from the valuation base aligns with constitutional principles since the tax is not a fee for individual infrastructure use but a general fiscal levy; the land value already incorporates potential building rights and thus economic capacity.

Further related cases pending:

The BFH is also handling similar constitutional challenges to property tax models in Hamburg, Hessen, and Bavaria, with hearings planned for late 2026 and early 2027.

Update (3 July 2026)

On 2 July 2026, the Supreme Tax Court has now also published the reasoning behind both decisions (**II R 26/24** and **II R 27/24**).

Source:

Supreme Tax Court Press Release of 20 May 2026.

Keywords

Real Estate, land tax