

By PwC Deutschland | 04 October 2026

Proof of lower fair market value of property for inheritance tax purposes

If a valuation report is prepared for an inherited property and if that same property is then sold a few months later for a purchase price significantly higher than the value determined in the appraisal, the Supreme Tax Court clarified that neither the appraisal nor the purchase price takes precedence from the outset. However, under certain conditions a properly prepared value appraisal may be suitable as evidence of the lower fair market value.

Background

The plaintiff inherited two properties from the decedent. To prove a lower fair market value pursuant to Section 198 of the Valuation Act, an appraisal prepared by a publicly appointed and sworn expert was submitted to the tax office. According to this report, the total property value as of the valuation date was €515,000. In February 2021 - just a few months after the valuation date - the property was sold for a total of €900,000.

In contrast, the tax office determined values of €290,834 and €405,006, respectively by using the capitalized earnings method and did not take the appraisals into account because the purchase price exceeded the values determined by the experts. The lower tax court concurred with the tax office's position.

Decision

The Supreme Tax Court explicitly disagreed with the lower court's outright rejection of the presented expert reports. That court did not explain why the specific deficiencies identified in the expert reports should not be taken into account.

If the taxpayer provides evidence of a lower fair market price, that value shall be used. As a rule, an appraisal report from an appraisal committee or from an expert appointed or certified pursuant to Section 198 (2) Valuation Act is sufficient evidence provided it was properly prepared in accordance with the applicable regulations.

Whether the appraisal provides the required evidence is subject to the tax authority's and, if necessary, the court's discretion. Proof is deemed to have been provided if the expert report can be accepted without the involvement or appointment of additional experts. An expert appraisal that, in the absence of special valuation regulations, complies with the requirements of the relevant valuation guidelines will generally be accepted if it is otherwise plausible.

The Supreme Tax Court went on to point out, that it does not automatically justify disregarding the report in its entirety if the expert report does not meet the required standards in every respect

The lower tax court should have reviewed the submitted expert reports for

plausibility and compliance with the applicable valuation rules and, if necessary, examined the expert opinions in the reports in detail should it, for example, have chosen not to accept the deductions made for identified deficiencies.

Source: Supreme Tax Court, judgment of 4 August 2026 (II B 87/25) published on 1 October 2026.

Keywords

Fair Value, land valuation, market value