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***Equalisation among the states in Germany: The  
Junction between Solidarity and Subsidiarity***

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# Equalisation among the states in Germany: The Junction between Solidarity and Subsidiarity

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## *Abstract*

*Germany's fiscal federalism has undergone a process of perpetual reform. On the one hand, some tax revenues such as the national corporate income tax generated a lower volume of fiscal resources because of changes in the system, or fluctuated extremely like the local trade tax due to economic effects. On the other hand, the judgement by the Constitutional Court has necessitated a renewal of Germany's equalisation system. Besides illustrating the tax sharing system between the three tiers of government, the main part of this paper deals with the equalisation among the 16 federal states. Moreover, in June 2017 a new system of intergovernmental fiscal relations was stipulated. It is to be implemented from 2020 onwards, and it will change the federal structure of Germany considerably. The legislative package alone comprises 13 constitutional amendments, which the Bundestag and Bundesrat must each adopt by a two-thirds majority. In addition, there are a number of other legislative changes that redefine the cooperation between the central government and the federal states on financial matters. Based on these descriptions of Germany, suggestions are made as to how Spain can avoid pitfalls in the area of fiscal federalism and what lessons they can learn from negative experiences in Germany. Overall Germany has a sound fiscal federalism with minor political mildew.*

JEL Classification: H7; H2; H1

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