

# The ABCs for a sole proprietor

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# Sole proprietor and excise duty on packaging

**Sole proprietors are payers of excise duty on packaging** and packaging operators, if they package, import or sell packaged goods within their economic or professional activities.

Excise duty on packaging is imposed on packaging of goods placed on the market in Estonia by a packaging operator, these are sales packaging, grouped packaging and transport packaging.

**Excise duty is imposed on the packaging of goods** if the packaged goods are soled, exchanged, transferred without charge or used for self-consumption. Packaging delivered from Estonia to another Member State and packaging of exported goods are not subject to packaging excise duty.

Excise duty on the packaging of goods packaged in Estonia is paid by the person who places the packaged goods on the market for the first time in Estonia or makes the packaged goods accessible for distribution or use.

Excise duty on packaging acquired in another Member State is paid by the person who acquired the packaging - the person who brings the packaged goods into Estonia from another Member State for commercial purposes.

Excise duty on the packaging of imported goods is paid by the person by whom or on whose behalf the goods are declared for the customs procedure of release for free circulation within the meaning of the Customs Code of the European Union. In other events, excise duty on the packaging of imported goods is paid by the person who incurs a customs debt or who used the packaged goods for self-consumption.

## Exemption and relief from excise duty

THE FOLLOWING IS FULLY EXEMPT FROM EXCISE DUTY:

1. packaging on which a deposit has been established under the Packaging Act, except metal packaging of beverages, and from which at least 85 per cent of each class of packaging material is recovered;
2. metal packaging of beverages, from which at least 50 per cent is recovered;
3. other packaging recovered to the extent provided for in § 36 of the Packaging Act.

**§ 36 of the Packaging Act** provides for that a packaging undertaking shall recover packaging material

types at least to the following extent per calendar year:

- ✓ 70 percent of the total mass of glass waste by way of recycling;
- ✓ 70 percent of the total mass of paper and paperboard waste, whereas 60 percent of the total mass by way of recycling;
- ✓ 60 percent of the total mass of metal waste by way of recycling;
- ✓ 55 percent of the total mass of plastic waste, whereas 45 percent of the total mass of plastic waste by way of recycling and 22.5 percent of the total mass of plastic waste by way of reprocessing into plastic;
- ✓ 45 percent of the total mass of wood waste, whereas 20 percent of the total mass by way of recycling.

In order to obtain a full exemption from excise duty, the percentage of recovering and recycling provided for packaging material must be calculated of the total weight of packaging of the goods placed on the market and must be complied with to the extent provided for.

#### THE RELIEF TO OPERATORS WHOSE QUANTITIES OF THE PACKAGING OF GOODS TO BE PLACED ON THE MARKET ARE SMALL

The requirements provided for a packaging undertaking, whose quantities of the packaging of goods to be placed on the market are small, have been relieved by the Packaging Act and the same principle has been provided for in the Packaging Excise Duty Act as well.

**According to clause 8 (2) 5) of the Packaging Excise Duty Act** plastic packaging of goods placed on the market in Estonia or acquired in and imported from another Member State with the weight of less than 25 kilograms per quarter and packaging made of another material with the weight of less than 50 kilograms per quarter.

## Taxation and calculation of excise duty

## UPON TAXATION, THE RESULT OF RECOVERING IS PROCEEDED FROM

Upon imposing the excise duty on packaging, in the first place, the result of actual recovering shall be proceeded from. A payer of excise duty who has not complied with the recovery rates of packaging shall pay excise duty for the quantity of the packaging deficiency.

In order to obtain an exemption from excise duty, the recovery rates of packaging must be complied with during the period of taxation and **taxable period is**, in general, **one quarter**.

## EXAMPLES ON CALCULATION OF THE RECOVERY AND PACKAGING EXCISE DUTY

### Example 1

A sole proprietor produces goods and packages its goods into paperboard boxes. He/she places the goods produced in the first quarter on the market. He/she does not deal with the collection or recovery of the packaging of the goods placed on the market.

It means that the obligation to pay packaging excise duty on the total weight of the cardboard packaging placed on the market in the first quarter shall be created by the sole proprietor for the 70 per cent of the packaging placed on the market (70 per cent of the total mass of the paper and paperboard waste placed on the market is obliged to be recovered).

### Example 2

A sole proprietor who has recovered the 65 per cent of the required 70 per cent of the total mass of paper and paperboard waste and thereby recycled the 50 per cent instead of the 60 per cent of the total mass by way of recycling, pays the 10 per cent of the quantity of paper and paperboard waste deficit packaging not recycled.

The energy recovery has been complied with whereas the required 10 per cent (70% - 60%, i.e. the difference between the total mass level and the actual quantity) has been met. The energy recovery of the 65 per cent of the total mass wherefrom 50 per cent has been recycled is thus 15 per cent (65% - 50%).

The excise duty is required to pay for the 10 per cent of the quantities of paper and paperboard waste not recycled.

### Example 3

In the case of plastics there are two levels for recovery upon recycling; 45 per cent and 22.5 per cent. This means that at least 22.5 per cent is required to be recycled in such a way that the plastic packaging waste is reprocessed into plastics. This part which remains between the 45 per cent and 22.5 per cent may be recycled in other way as well, for example, producing oil from plastics. But if 45 per cent of the total mass of the plastic packaging waste have been recycled, for example, by way of reprocessing into pellets, then the percentage of recycling is completed.

If, for example, 35 per cent of the total mass of plastic waste is recovered and 15 per cent of this is energy recovery, 10 per cent is recycled by way of material and 10 per cent is recycled in other way, for example, producing oil, then the excise duty shall be paid totally for 25 per cent of plastic waste.

The process of calculation is as follows: the recycling by way of material is not completed by 12.5 per cent (22.5% - 10%) and the recycling in other way is not completed either by 12.5 per cent (22.5% - 10%). The energy recovery is completed, i.e. 15 per cent is recovered, but 10 per cent is required (55% - 45%, i.e. the difference between the total mass and the rate of recycling).

In this case, the excise duty shall be paid for the 25 per cent (12.5% + 12.5%) of the quantity of plastic waste.

## Transfer of obligations to recovery organisation

If a payer of the excise duty has transferred its obligations to a recovery organisation founded by packaging operators, the period of taxation and of record-keeping concerning excise duty is one calendar year.

Pursuant to **§ 11<sup>1</sup> of the Packaging Excise Duty Act**, a payer of excise duty may transfer the obligations provided for in the Packaging Excise Duty Act under a written contract to a recovery organisation.

A payer of excise duty will transfer the obligations to a recovery organisation on a date specified in a written contract. The payer of excise duty cannot retroactively transfer such obligations relating to the period preceding the entry into the contract whose term of performance has expired, regardless of whether the parties have performed the obligations arising from the contract.

A recovery organisation organises the accept of the return and recovery of packaging and packaging waste of packaged goods for the payers of excise duty who have concluded the contract with the organisation and have placed the goods on the Estonian market, pursuant to the rates of recovery established by law. The payers of excise duty submit the necessary information to the recovery organisation and the organisation submits the information concerning the use of packaging to the relevant authorities for the payer of excise duty.

The payer of excise duty who has not transferred its obligations to a recovery organisation must keep quarterly records concerning the sale, transfer without charge, exchange and use for self-consumption of the packaging of goods placed on the market in Estonia or acquired in and imported from another Member State, based on the weight of packaging and type of packaging material. The payer of excise duty is obliged to keep quarterly records on the recovery of packaging as well.

If the tax liability of excise duty on packaging arises, a payer of excise duty must submit an excise duty return to the Tax and Customs Board by the fifteenth day of the month following the period of taxation.

## Excise duty rates on packaging

<b>PACKAGING SUBJECT TO PACKAGING EXCISE DUTY</b>	<b>EXCISE DUTY RATE PER KILOGRAM IN EUROS</b>
glass	0.6
plastic	2.5
metal	2.5
paper and paperboard, incl. composite paperboard	1.2
wood	1.2