
Standard Operating Procedure: **Wire/Draft to Foreign Countries**

Unit(s) Responsible: **Accounts Payable
General Accounting
Treasury**

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Description

This document provides instructions on how to complete the Wire/Draft to Foreign Countries Form. Topics of instruction included in this document are:

- Definitions
- Purpose
- Process
- Choosing the Payment Method: Wire vs. Draft
- Instructions on Completing the Wire/Draft Form
- Documentation Standards
- Non-Resident Withholding
- Contacts

Definitions

Wire: An electronic transfer of funds (through the international banking system) from York University's bank to the credit of a payee's bank account.

Draft: A form of cheque, drawn from York University funds, where payment is generally guaranteed to a payee by the financial institution that has issued the draft. The draft is a negotiable paper instrument that a payee would present to his or her financial institution for deposit into his or her account. The bank draft would be subject to typical clearing processes.

Payee: The recipient of funds or in other words, the person to whom the wire or draft is made out.

Purpose

The Wire/Draft to Foreign Countries Form ("Wire/Draft Form") is a form for use by internal community members when requesting payment to an external party located outside of Canada or the United States.

The form is used to pay:

- Vendor invoices;
- Honorarium and other remuneration payments submitted by Payroll staff;
- Reimbursements to third parties, such as visitors to York; and
- Refunds to non-resident students.

Completion of the Wire/Draft Form confirms that the transaction has been approved by the authorized signing authority.

Process

The following are the steps that will occur during the issuance of a wire/draft:

1. The requesting unit will complete and submit the [Wire/Draft Form](#) located on the Finance website to Accounts Payable.
2. Accounts Payable reviews and signs off on the form.
3. Payment details are inputted into the Western Union interface by General Accounting staff. (Note: Western Union is York's service provider that issues the drafts and wires.)
4. Each payment is reviewed by the Manager of General Accounting and two signing officers.
5. Once the final signing officer has electronically approved the payment, Western Union will issue the draft or wire to the payee. Western Union will send an email to the payee to inform them of the impending payment.
6. If Western Union advises that data is incomplete or does not match correctly with their extensive databank of global financial institutions, the unit will be contacted by General Accounting to request further or correcting info from the payee.
7. Upon issuance of the draft/wire by Western Union, York is then informed of the Canadian dollar cost of each payment.
8. General Accounting will charge this cost to the unit cost centres shown on the Wire/Draft Form via a journal entry, which includes the cost of foreign exchange and the fixed fee charged by Western Union to issue the payment. Any sales tax self-assessment will also be charged.

Choosing the Payment Method: Wire vs. Draft

Departments are encouraged to send their payments via wire method instead of draft. Although wires are typically more expensive than drafts, there is a risk that drafts may not reach the final destination point because of poor mail service or illegal interception, particularly in developing countries. Wires are more convenient to the payee because the funds are deposited directly into their bank account and delivery time on wires is significantly shorter than drafts.

On occasion in the past, the University has needed to stop payment on drafts and reissue payment via wire, based on representations that the payee never received the draft. Any cost of reissuing payment will be borne by the unit.

Instructions on Completing the Wire/Draft Form

The Request for Wire/Draft Form is intended to be an internal form only, completed by University personnel. University personnel are the only individuals who should be initiating payments to external third parties.

University personnel may distribute the form to a payee to collect address and banking details. However, personnel are asked to use their judgment when doing so. Please note that the payee may only complete Sections B, C, and D. All other fields are strictly for internal use only.

1. On the **top of the form**, please check whether the payee should be paid via wire or draft.
2. In **Section A**, specify the currency and amount owed to the payee. The amount input in this box should represent York's obligation to the payee and match that specified on the supporting documentation from the originator (see Documentation Standards table).

In **Section B**, please specify the currency that the obligation (shown in Section A) should be paid in.

Examples help to illustrate how these fields should be input:

- A UK book distributor sends an invoice to York for GBP £1,000. In Section A, the user should input GBP as the currency and 1,000 as the amount. In Section B, the user should input GBP. *In this case, the obligation and payment occur in the same currency.*
- A visiting scholar from India is collaborating with colleagues at York. York has agreed to pay for her hotel costs during her visit to Toronto. The unit and the scholar jointly complete the Claim for Reimbursement Form showing total reimbursement of CAD \$850 for hotel costs. The unit has received an email indicating that the scholar wishes to receive the reimbursement in Indian Rupees. On the Wire/Draft Form, the unit would input CAD as the currency and 850 as the amount in Section A. In Section B, the unit would input INR.
- A York student from Thailand has a credit balance in her account of CAD \$4,000. The student has emailed Student Accounts requesting a refund, to be paid via wire to her account in Thailand denominated in Thai Bhat. In Section A, the user should input CAD as the currency and 4,000 as the amount. In Section B, the user should input THB.

Note that the payment currency selected in Section B must be supported by documentation received from the payee. Please refer to the section titled Documentation Standards.

The payee's preference for currency of receipt will be preferentially honoured, provided that Western Union can issue according to those payment specifications (generally the case, with some exceptions or constraints for exotic currencies).

3. **Note that there is a restriction to the choice of currency available in Section B when Section A has been completed with a currency that is not Canadian dollars.** If Section A's currency is not Canadian dollars, then Section B can only be completed with the same currency as shown in Section A. This restriction exists because the payment system offered by Western Union does not allow using spot rates where two foreign denominations are involved in the transaction.

Units will face this restriction on rare occasions. Should a unit have a foreign amount owed to the payee and wish to pay this in a separate foreign currency, this can still be accommodated with one further step. The unit should calculate the conversion using www.oanda.com. This OANDA information should additionally be attached to the Wire/Draft Form.

An example best illustrates how this scenario would arise:

- A professor from the University of Oslo is collaborating with York professors on a major research grant. This Norwegian professor is conducting a significant portion of the field work throughout Europe. The professor and the York department have jointly completed the Claim for Reimbursement Form showing total expenses of EUR €5,695. The professor has emailed the unit with written notification that he would like to receive payment in Norwegian Kroner. Unfortunately the Western Union portal cannot accommodate the payment of EUR €5,695 in Norwegian Kroner using spot rates. Instead, the unit should convert the Euros to Norwegian Kroner using www.oanda.com. Let's assume the Euros convert to NOK 44,000. The department completes the Wire/Draft form, inputting NOK 44,000 in Section A. In Section B, NOK is input.
4. Complete **Section C** with the payee's full name and mailing details.
 - The payee name must match exactly with the attached documentation.
 - If the funds are being sent via wire, the payee name must be the full and exact name of the registered bank account holder.
 5. In **Section D**:
 - Specify the invoice number and, if applicable, the purchase order number.

- Where services were provided, specify if these services were performed in Canada. Services performed in Canada are subject to withholding taxes unless the vendor has obtained a waiver from Canada Revenue Agency.
 - Specify the reason for the payment. Please provide as many details as possible; often the information is not apparent on the supporting documentation (due to abbreviations or foreign languages).
 - Also input the chartfields needed to charge the payment. The account, fund, and cost centre are mandatory fields while the activity, time, and location fields are optional.
 - Specify the rebate rate for each chartfield line. Accounts Payable staff requires the rebate percentage to calculate the sales tax self-assessment, if required.
 - Under the amount column, please use the same currency denomination as Section A. Note that the amount will be converted to Canadian dollars and charged to the cost centre(s) by General Accounting when the exchange rate of the payment is determined.
 - Input the HST rebate amount, if eligible to be claimed. Note that criteria must be met before the HST rebate may be claimed. For a vendor invoice, the vendor must be charging Canadian HST and must show their registration number on their invoice. For an expense claim, the rebate must be calculated on eligible expenditures made in Canada using the rebate factor shown on the Claim for Reimbursement Form.
 - If an HST rebate is being claimed, the amount(s) charged to the chartfields must include any non-rebatable HST. The total of the chartfield lines (which would include non-rebatable HST) and the HST rebate line must equal the amount on the vendor invoice, Claim for Reimbursement Form, etc.
6. **Section E** is for internal use by Accounts Payable and General Accounting only, however University units should be aware of its use. Where goods and services are imported into Canada from other countries, and the goods and services are considered taxable for HST purposes, the University is responsible for self-assessing the tax when the vendor has not charged the full HST. Accounts Payable staff will review the payment, and make a determination if HST should be self-assessed. As a general rule, University units should expect incremental charges for HST (above and beyond the vendor invoice) where they are importing goods or services.
- Accounts Payable staff is responsible for reviewing the HST implications for payments, and populating this section.
 - General Accounting staff is responsible for keying this information via journal entry into the general ledger.

7. In **Section F and G**, please identify the preparer and signing authority. Note that the approver must be a recognized signing officer (against the cost centre) in the Finance PeopleSoft system. Paperwork must be in place before an individual can sign-off on cost centre transactions.
8. **Section H** is for internal use by Accounts Payable and General Accounting only. This area shows the relevant sign-offs that must occur before the payment is issued.
9. If the funds are being sent via wire, provide all pertinent banking details in **Section I**. If a draft is requested, this information can be omitted.

The form must be submitted with appropriate documentation outlined in the table below.

Any forms received by Accounts Payable that are incomplete will not be processed, and will instead be returned to the preparer.

Documentation Standards

The table below lists some of the common payments made via the Wire/Draft Form and the corresponding documentation that is needed.

Type of Payment	Required Documentation
Vendor Payment for Goods and Services	<ul style="list-style-type: none"> ▪ Original vendor invoice. Duplicates or copies are not acceptable. ▪ Invoice must be addressed as follows: <ul style="list-style-type: none"> York University (Department or Faculty name) (or other official York University place of business) 4700 Keele Street Toronto, Ontario M3J 1P3 ▪ If the vendor is charging Canadian HST, the vendor's HST registration number must be displayed on the invoice. ▪ The vendor invoice must clearly indicate the currency of payment.
Honorarium and Other Payments Submitted by Payroll Staff	<ul style="list-style-type: none"> ▪ Non-Resident Payment Form, completed in full with sign-off by Payroll staff. Note that the completion of the Non-Resident Payment Form is managed by Payroll and must meet Payroll standards. ▪ Payroll, in conjunction with the submitting unit, must ensure that the payment currency has been confirmed with the payee.
Reimbursement to Third Parties	<ul style="list-style-type: none"> ▪ Claim for Reimbursement Form, completed in full with sign-off by authorized signing authority or authorities. ▪ Original receipts must accompany the Claim for Reimbursement Form where cost centres in either fund 400 or 500 are charged. In all other cases, the submitting unit should retain the receipts according to their established practices and the Reimbursement of Expenses procedure. ▪ The submitting unit is responsible for confirming in writing with the payee which currency they prefer to receive.
Refunds to Non-Resident Students	<ul style="list-style-type: none"> ▪ Proof of York's obligation to the student. Examples of appropriate documentation include: <ul style="list-style-type: none"> ✓ a report from the Student Information System showing the outstanding student balance ✓ a YUELI Cancellation Request Form ▪ The submitting unit is responsible for confirming in writing with the payee which currency they prefer to receive.

Non-Resident Withholding

Non-residents who provide services in Canada will be subject to withholding tax, generally calculated at the rate of 15%.

According to the Canada Revenue Agency, non-residents of Canada:

- normally, customarily, or routinely live in another country and are not considered a resident of Canada for tax purposes; or
- do not have residential ties in Canada; and
 - live outside Canada throughout the tax year; or
 - stay in Canada for less than 183 days in the tax year.

Withholding is applicable to non-residents regardless of whether the services are provided as individuals (self-employed), corporations, participants in joint ventures, or as members of partnerships.

Units who submit payment to non-residents for services performed **must clearly indicate the location where the services were performed.**

Payments to non-resident individuals (i.e. those who are providing services under a proper first name/surname basis) must be submitted to Payroll Services on a Non-Resident Payment Form. Payroll Services will administer the withholding tax according to their standard practices and will subsequently arrange for payment to be issued via wire or draft.

Payments to non-resident third party vendors (i.e. those who are providing services under a company name) must be submitted to Accounts Payable on a Wire/Draft Form with an original vendor invoice attached. Accounts Payable will calculate and withhold the appropriate amount of tax and the after-tax payment will be remitted to the vendor. Accounts Payable will remit the withholding tax to the Canada Revenue Agency and on an annual basis will supply a T4A-NR Slip to the vendor to report the amount of withholding taken.

Contacts

For further information on the Wire/Draft Form, please contact Accounts Payable at (416) 736-5661.

For questions on the status of a particular draft or wire, please contact General Accounting at (416) 736-2100 ext. 2227.