

Table 1: VAT export tax and product's quality upgrading, baseline regression

| | Dependent variable: Ln Export Value (city/product/trade regime/year) | | | |
|---|---|----------------------|------------------------|-------------------------|
| | Eligible (1) | Non-Eligible (2) | All (3) | All benchmark (4) |
| Ln VAT export $\text{tax}_{k,t-1}$ | -0.242*** (0.028) | -0.072 (0.056) | -0.094* (0.055) | |
| Ln VAT import $\text{tax}_{k,t-1}$ | 0.062* (0.032) | -0.015 (0.060) | -0.014 (0.058) | |
| growth_export_ckjt_1 | 0.00000** (0.00000) | 0.00000 (0.00000) | 0.00000** (0.00000) | 0.00000*** (0.00000) |
| lag_foreign_export_share_ckjr | 0.223*** (0.007) | 0.119*** (0.015) | 0.210*** (0.007) | 1.033*** (0.016) |
| lag_soe_export_share_ckjr | 0.665*** (0.006) | 0.408*** (0.011) | 0.653*** (0.006) | 1.030*** (0.008) |
| Ln VAT export $\text{tax}_{k,t-1} \times \text{Eligible}^R$ | | | -0.148*** (0.056) | -0.130* (0.069) |
| Ln VAT import $\text{tax}_{k,t-1} \times \text{Eligible}^R$ | | | 0.075 (0.058) | 0.087 (0.061) |
| City-product fixed effects | Yes | Yes | Yes | No |
| City-sector-year fixed effects | Yes | Yes | Yes | No |
| Product-destination fixed effect | Yes | Yes | Yes | No |
| City-product-regime fixed effects | No | No | No | Yes |
| City-sector-regime-year fixed effects | No | No | No | Yes |
| product-year fixed effects | No | No | No | Yes |
| Observations | 4,906,923 | 909,515 | 5,816,438 | 5,816,438 |
| R ² | 0.506 | 0.645 | 0.508 | 0.376 |

This table estimates eq(3). Note that 'Eligible' refers to the regime entitle to VAT refund, our treatment group. Our control group is processing trade with supplied input, 'Non-Eligible' to VAT refund. Sectors are defined following the Chinese 4-digit GB/T industry classification and regroup several products. Heteroskedasticity-robust standard errors clustered at the product level appear in parentheses. * Significance at the 10%, ** Significance at the 5%, *** Significance at the 1%.

Table 2: VAT export tax and product's quality upgrading, baseline regression

| | Dependent variable: Ln Export Value | | | |
|---|-------------------------------------|----------------------|------------------------|-------------------------|
| | (1) | (2) | (3) | (4) |
| Ln VAT export $\text{tax}_{k,t-1}$ | -0.242*** (0.028) | -0.072 (0.056) | -0.094* (0.055) | |
| Ln VAT import $\text{tax}_{k,t-1}$ | 0.062* (0.032) | -0.015 (0.060) | -0.014 (0.058) | |
| growth_export_ckjt_1 | 0.00000** (0.00000) | 0.00000 (0.00000) | 0.00000** (0.00000) | 0.00000*** (0.00000) |
| lag_foreign_export_share_ckjr | 0.223*** (0.007) | 0.119*** (0.015) | 0.210*** (0.007) | 1.033*** (0.016) |
| lag_soe_export_share_ckjr | 0.665*** (0.006) | 0.408*** (0.011) | 0.653*** (0.006) | 1.030*** (0.008) |
| Ln VAT export $\text{tax}_{k,t-1} \times \text{Eligible}^R$ | | | -0.148*** (0.056) | -0.130* (0.069) |
| Ln VAT import $\text{tax}_{k,t-1} \times \text{Eligible}^R$ | | | 0.075 (0.058) | 0.087 (0.061) |
| City-product fixed effects | Yes | Yes | Yes | No |
| City-sector-year fixed effects | Yes | Yes | Yes | No |
| Product-destination fixed effect | Yes | Yes | Yes | No |
| City-product-regime fixed effects | No | No | No | Yes |
| City-sector-regime-year fixed effects | No | No | No | Yes |
| product-year fixed effects | No | No | No | Yes |
| Observations | 4,906,923 | 909,515 | 5,816,438 | 5,816,438 |
| R ² | 0.506 | 0.645 | 0.508 | 0.376 |

This table estimates eq(3). Note that 'Eligible' refers to the regime entitle to VAT refund, our treatment group. Our control group is processing trade with supplied input, 'Non-Eligible' to VAT refund. Sectors are defined following the Chinese 4-digit GB/T industry classification and regroup several products. Heteroskedasticity-robust standard errors clustered at the product level appear in parentheses. * Significance at the 10%, ** Significance at the 5%, *** Significance at the 1%.