

## **ABSTRACT**

In this article, we investigate whether taxation of households' production of marketed forest products in developing countries is likely to assist in achieving the general development objectives of resources conservation and poverty alleviation. Based on an empirical study on such taxation in a village in Tanzania, we develop and solve a theoretical analytical model to analyse taxation, when households' access to alternative income generating opportunities is heterogeneous. Findings are that taxation adversely affects income equality and has an ambiguous effect on the level of resource utilization.