Economic Reforms of 2025 – Building a Future-Ready India

Mains: *GS III – Economy*

Why in News?

The recent reforms introduced by the government in 2025 represent a significant shift in governance, focusing on delivering measurable outcomes rather than simply expanding regulatory frameworks.

What are the key reforms that is shaping growth and opportunity?

- **Income Tax Reforms –** In 2025, India introduced substantial changes in direct taxation, particularly in the Income Tax Act.
- The Union Budget 2025-26 provided major relief to taxpayers by *exempting annual incomes up to ₹12 lakh from income tax*.
- Salaried individuals could benefit from an effective exemption of ₹12.75 lakh due to the standard deduction, which directly boosts disposable income for millions of middle-class households.
- Moreover, the introduction of the *New Income Tax Act, 2025* simplifies the tax structure and enhances clarity.
- This overhaul, which was guided by principles such as textual and structural simplification and minimal changes in tax policy, eliminates obsolete provisions.
- The new act consolidates compliance requirements and strengthens digital enforcement, paving the way for a more transparent and efficient taxation system.
- **Labour Reforms –** The labour market in India underwent a major transformation in 2025 with the *consolidation of 29 labour laws into four new Labour Codes.*
- These include the *Code on Wages, 2019, Industrial Relations Code, 2020, Code on Social Security, 2020, and Occupational Safety, Health, and Working Conditions Code, 2020*.
- The reform aimed to enhance both business ease and worker welfare.
- These changes focused on streamlining compliance for businesses while offering greater security for workers, including gig and platform workers.
- Some significant measures include:
    - **Wages** – Uniform definitions of wages and minimum wage standards across all sectors.
    - **Industrial Relations** – Simplified processes for trade unions and dispute resolution.
    - **Social Security** – Extending social security benefits to gig and platform workers, improving health, maternity, and provident fund provisions.
    - **Workplace Safety** – Ensuring safer and more secure working conditions,

especially for women and migrant workers.

- These reforms aim to create a unified labour framework that serves over 500 million workers and provides a foundation for a future-ready workforce.
- **Rural Employment Reforms –** The Viksit Bharat - Guarantee for Rozgar and Ajeevika Mission (Gramin) Act, 2025, replaced the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).
- This Act introduced several provisions aimed at enhancing rural livelihoods and providing sustainable employment in agriculture and other rural sectors.
- Some notable changes include:
    - **Extended Employment Guarantee** – Providing 125 days of wage employment per rural household.
    - **Integrated Rural Employment** – Ensuring adequate labour during peak agricultural seasons.
    - **Asset Creation** – A focus on creating public assets such as rural infrastructure and water security projects.
    - **Decentralized Planning** – Allowing local communities to plan their development projects while ensuring integration with national schemes.
- By focusing on both employment generation and asset creation, the reforms aim to create long-term economic sustainability for rural India.
- **Ease of Doing Business Reforms** – To boost business growth and attract investment, the Indian Government has undertaken significant reforms aimed at improving the ease of doing business.
- The Quality Control Orders (QCOs) were phased in with a focus on MSMEs.
- These orders ensure that products meet international standards while providing SMEs with adequate time and support to meet compliance requirements.
- Additionally, the government has focused on improving access to finance for MSMEs, including:
    - **Loans linked to external benchmarks** with shorter reset periods.
    - **Credit guarantees for MSMEs**, covering up to ₹100 crore for equipment and machinery.
    - **Collaterals-free loans** for micro and small enterprises.
- These measures aim to ensure that businesses, especially MSMEs, can grow without facing unnecessary bureaucratic hurdles.
- **GST 2.0 Reforms –** The Next-Generation GST reforms represent a major overhaul of India's indirect tax system.
- These reforms introduce a *two-slab GST regime (5% and 18%),* simplifying tax classification and compliance.
- This system will particularly benefit MSMEs and small traders by reducing tax complexity.
- The GST 2.0 reforms also focus on:
    - **Reducing the cost of living** – By lowering taxes on essential goods and services.
    - **MSME Enablement** – Simplifying GST registration, refunds, and returns for MSMEs and startups.
    - **Revenue Stability** – Expanding the tax base, which has grown to over 1.5 crore taxpayers.

- By making GST more efficient, the government is aiming to create a tax system that benefits both businesses and consumers.
- **Export Promotion Mission –** To boost India's global trade competitiveness, the Union Government launched the *Export Promotion Mission (EPM).*
- With an allocation of ₹25,060 crore for FY 2025–26 to FY 2030–31, the mission aims to strengthen India's export ecosystem by providing financial and non-financial support to MSMEs and first-time exporters.
- Key measures include:
    - **Trade Finance** – Access to affordable finance for MSMEs.
    - **Market Access** – Enhancing the visibility of Indian products in international markets.
    - **Boosting Labour-Intensive Sectors** – Supporting sectors like textiles and handicrafts.
- The Export Promotion Mission will integrate digital tools and a unified framework to boost exports from underserved districts and sectors.

What are the driving outcomes?

- **Major push for Indian economy –** Collectively, these reforms represent a major push towards a future-ready Indian economy.
- **Creating a competitive economy** – They are designed not only to simplify systems and reduce burdens but also to create a transparent, resilient, and globally competitive economic ecosystem.
- **Towards 2047 vision** – By focusing on inclusivity, digital transformation, and long-term growth, these reforms align with India's vision for 2047, ensuring that the country is equipped to meet the challenges of a rapidly changing global economy.

What lies ahead?

- The economic reforms of 2025 aim to transform India's economic landscape by addressing key challenges such as tax simplification, labour rights, business compliance, and export competitiveness.
- By focusing on outcome-based governance and creating a more inclusive economy, these reforms are laying a strong foundation for sustainable growth and development.
- With these initiatives, India is on the path to becoming a future-ready economy that can thrive in an increasingly complex global market.

Reference

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