

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 Aajeevika 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

[PIB| Economic Reforms of 2025](#)